Showdown in Moscow

After a test of fire, can Yeltsin transform Russia ?
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World leaders' actions will speak louder than words
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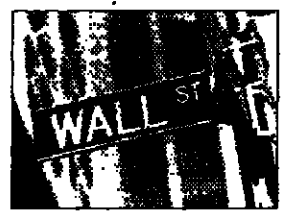

Crest of a wave
Money pours into US mutual funds
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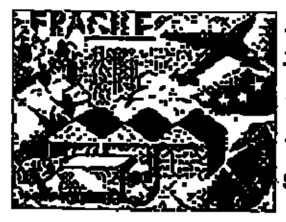

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY OCTOBER 5 1993 — D8523A

At least 12 US troops killed in Somalia fighting

At least 12 US troops were killed, 75 wounded and a few feared captured in Sunday's fighting in the Somali capital, Mogadishu. where UN forces clashed with Somalis loyal to rebel warlord Mohamed Farah Aideed. Pentagon officials said there were plans to send extra US troops and tanks to Somalia as part of a the UN peacekeeping force. Meanwhile two French relief groups called for an end to US military operations in Somalia, saying hundreds of civilians had been killed or wounded in the latest fighting.

Lufthansa of Germany signed a commercial partnership with United Airlines, the biggest US international carrier. The deal is expected to intensify competition on international routes and speed privatisation of the German national carrier. Page 19

UK figures confirm recovery: Figures on UK consumer spending and the money supply helped dispel fears that Britain's recovery was losing momentum. Consumers borrowed a net £225m in August compared with £204m in July. Narrow money rose a seasonally adjusted 5.4 per cent in the year to September. Page 9

Fears over Bermuda election: Business leaders in Bermuda fear that an election win today by the Progressive Labour party could undermine the growth of the island's offshore financial centre. The PLP insists it wants to develop the offshore businesses. Page 18

Sweden seeks expansion: Sweden announced a package of corporate tax reforms designed to encourage business expansion and lower a record 13 per cent unemployment rate. Page 18

Shorts wins $100m US order: Northern Ireland aircraft manufacturer Short Brothers has won a $100m US National Guard order for 20 Sherpa military transport aircraft. Page 9

Spanish pay pact in doubt: Doubts are growing whether the Spanish government, the two main trade unions and the country's employers can agree on a much-vaunted wage moderation pact. Page 18

Egyptians vote: Egyptians voted in a referendum which will give president Hosni Mubarak (left) a third six-year term. Although there was no alternative candidate, the government has tried to portray the vote as "deepening citizenship."

Arafat accuses Israel: PLO leader Yassir Arafat accused Israel of hunting down members of his mainstream Fatah group as well as Hamas opponents to the PLO-Israeli peace accord. About 30 Israelis were injured when a Palestinian drove a car bomb into a bus in the West Bank. Page 6

Super Mario succumbs: Japanese electronic game maker Nintendo admitted a decade of growth had ended as it cut its pre-tax profit forecast by 26 per cent from Y170bn to Y121bn ($1.14bn) for the year to March. Page 19; Sun goes down, Page 22

Baby found alive in quake ruins: A 19-month-old girl was rescued alive from the rubble of her home in India 104 hours after an earthquake which killed up to 22,000 people. Priyanka Wagle was beneath her overturned cot, buried in rubble. India overcomes aid scruples, Page 6

Nato's new chief named: US army general Alfred Joulwan was named *commander of Nato* military forces in Europe.

Banda has brain surgery: Malawi's president Hastings Kamuzu Banda, believed by diplomats to be in his mid-90s, was in a satisfactory condition after undergoing brain surgery in a South African hospital.

Premier takes sick leave: Hungarian prime minister Jozsef Antall is to take a month's sick leave to undergo medical treatment in Cologne, Germany. Antall, 61, has a curable form of cancer.

Court rules on Bhopal: The US Supreme Court refused to overturn a ruling on Bhopal. It mean that victims of the 1984 gas disaster in India cannot challenge in the US the $470m settlement between the Indian government and Union Carbide, the company which operated the plant.

Pakistan's voters go to the polls tomorrow. Benazir Bhutto and her Pakistan People's party are challenging former prime minister Nawaz Sharif. Page 6

■ STOCK MARKET INDICES

FT-SE 100:	3067.7	(+28.4)
Yield	3.82	
FT-SE Eurotrack 100	1299.14	(+5.15)
FT-A All-Share	1518.12	(+0.8%)
Nikkei	20,264.43	(-18.70)
New York lunchtime		
Dow Jones Ind Ave	3576.08	(-5.03)
S&P Composite	460.76	(-0.52)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	2.961%
Long Bond	103 7/16
Yield	5.996%

■ LONDON MONEY

3-mo Interbank	5 15/16%	(Same)
Liffe long gilt future:	Dec 113⅜	(Dec113 1/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$17.125	(17.35)

■ Gold

New York Comex (Dec)	$354.6	(356.9)
London	$352.75	(355.2)

■ STERLING

New York lunchtime:		
$	1.5185	
London:		
$	1.515	(1.5055)
DM	2.46	(2.455)
FFr	8.5825	(8.5625)
SFr	2.1475	(2.145)
Y	160.25	(159.5)
£ Index	80.5	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.623	
FFr	5.65975	
SFr	1.4182	
Y	105.75	
London:		
DM	1.624	(1.631)
FFr	5.665	(5.6875)
SFr	1.417	(1.4245)
Y	105.8	(106.0)
$ Index	65.1	(65.3)
Tokyo close Y 106.0		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD6700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.30
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

White House leaders surrender after fierce fighting leaves many dead and wounded

Yeltsin stamps control on Moscow

By John Lloyd and Leyla Boulton in Moscow

FORCES loyal to President Boris Yeltsin took the Russian parliament yesterday in a brutal battle which left hundreds of defenders dead, the ringleaders of the rebel parliament in custody and Moscow still echoing to sporadic gun battles in and around the blasted White House.

The death toll and casualty figures remained unclear last night. General Dmitri Volkogonov, President Yeltsin's military adviser, backed off from his earlier figure of 500 dead while unconfirmed reports indicated dozens had been killed and more than 100 wounded.

Interfax news agency, giving partial casualty figures for the assault, said hospitals reported admitting 56 wounded people, of whom one died.

The Interior Ministry told the Interfax news agency its elite Dzerzhinsky division lost three men and 15 wounded in two days.

According to Itar-Tass news agency, quoting Moscow's Main Medical Administration, 62 people were killed and 400 wounded in Sunday's battle over Russia's main television centre.

Mr Ruslan Khasbulatov, the parliamentary leader and Mr Alexander Rutskoi, stripped of his general's rank, his vice presidency and the title of acting president given him by the now captive parliament, gave themselves up in the early evening. They were driven off in a bus for questioning under the authority of General Mikhail Kozhevnikov, deputy interior minister.

Mr Dmitri Rurikov, a Yeltsin aide, said they could face trial. Before giving themselves up the two men appealed to a meeting of European Community foreign ministers to guarantee their safety. The foreign ministers, meeting in Luxembourg, elicited an assurance from Mr Yeltsin's office that the two ringleaders would not be harmed.

The merciless assault on the White House ended a 12-day defiance by the parliament of Mr Yeltsin's decree banning it and calling fresh parliamentary elections in December. Initially winning some support for their defence of the constitution, the anti-Yeltsin groups lost sympathy by launching an attack on Sunday on the mayor's office and the television centre.

Last night the 19-storey white marble parliament was left burning, with black holes torn in its facade. After nine hours of pounding by cannon and machine guns, a truce was agreed and a file of some 300 deputies, defenders and staff filed out into the gathering dusk between lines of soldiers.

The government issued warnings that armed men still loyal to the parliament would continue fighting, and "mopping up" operations were continuing in the city last night.

Inside the parliament in the early evening bodies still lay on the glass-strewn floor, as soldiers continued to search the building for pockets of resistance. Fresh troops were deployed around parliament as fighting broke out from unidentified defenders.

In the streets of Moscow around the building, which were cleared of traffic, people met in knots, many of them voicing strongly anti-Yeltsin sentiments.

In a side street, an unarmed group marched off, its leader warning them to "watch out for the paratroopers".

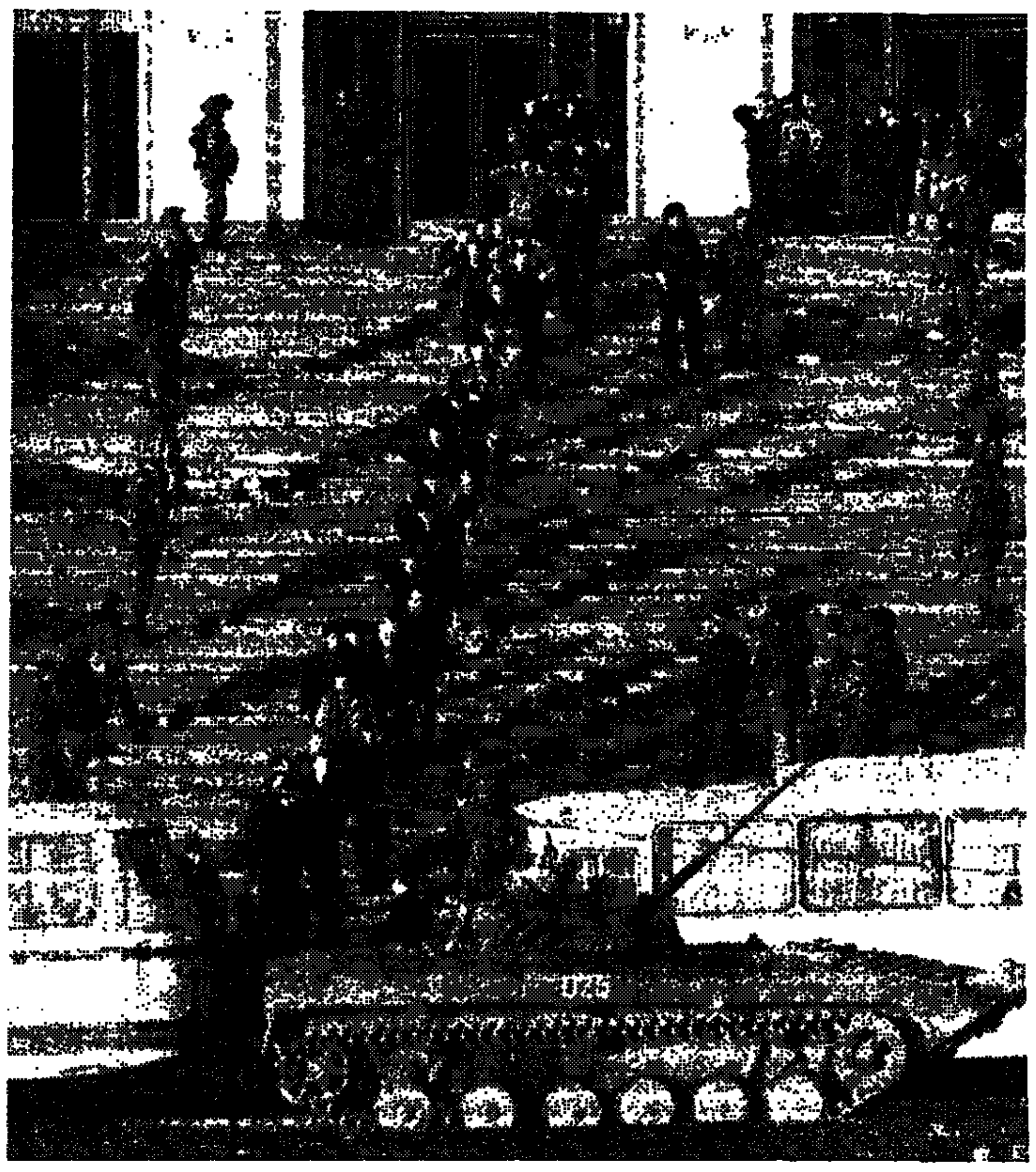
Besides the two leaders of the parliamentary revolt, the troops seized ex-General Albert Makashov, the leader of Sunday night's attack on the Ostankino television centre. They also took into custody the three "power ministers" appointed by parliament – Mr Viktor Barannikov (security), Mr Vladislav Achalov (defence) and Mr Vladimir Dunayev (interior).

Mr Yeltsin, who returned to his state dacha late yesterday afternoon after two days in the Kremlin supervising the attack, moved swiftly to clamp his presidential rule on the country. He banned a range of opposition papers, including the Communist Pravda, the nationalist Den and Sovetskaya Rossiya; imposed an 11pm-5am curfew and, in an earlier broadcast, promised that leaders of the "communist fascist" uprising would be harshly dealt with.

His first real test of public reaction comes today, when he meets with regional leaders in the Federation Council – the body he has named to be the upper house of a proposed new parliament, or Federal Assembly. The first reactions from the regions was cautious, as their leaders called for order to be maintained.

Continued on Page 18

CRISIS IN RUSSIA



Moment of surrender: hard-line defenders and supporters file down the steps of the Russian parliament yesterday as the siege collapses. They were taken to buses and driven off for questioning AP

Rebellion founders in blood and devastation

By John Lloyd in Moscow

INSIDE THE once imposing halls and corridors, the scene was of carnage, squalor and hideous destruction. Bullets and shells had raked the walls, smashed down ceilings and made matchwood from doors.

With the surrender of the rebels in the White House in the late afternoon, the wounded, some screaming in agony, were being evacuated slowly by medical teams. In the upper chambers, firing went on as the floors were cleared. Suddenly, a huge explosion, bigger than anything before, shook the edifice. An ammunition dump on the ground floor had blown up – whether by design or chance was not clear.

The bodies were still being attended to. Two men, one grasping a machine pistol, were curled into each other on the corner of a corridor, the blood still wet from the head and chest wounds that had killed them.

Acrid smoke hung in the low corridors, which were almost pitch black in places. Men stumbled in shock, through pools of water and blood.

From the front doors of the building, a column of surrendering deputies, defenders and staff – many of them women – filed towards the Moscow river, the victorious troops standing to both sides. Many of the defeated were trembling; two of the women crying. They moved heavily and stood still when commanded, before being loaded on to buses and driven away.

For the instigators of the revolt, Mr Ruslan Khasbulatov, the parliamentary speaker, and Mr Alexander Rutskoi, the vice-president, the end was ignominious. Witnesses who met them as the troops entered the building spoke of men breathless with fear, desperately suing for their lives.

Surrounding them, similarly distressed, were the deputies who had chosen to stand with them, like Mr Sergei Baburin of the Russia Unity group and Mr Oleg Rumyantsev, a former leader of the Social Democrats.

The government troops had taken the White House slowly, in even a leisurely way, the T72 tanks on and under the bridge across the Moscow River before the parliament slamming round after round into the building, raking the windows with their machineguns. To one side, a detachment of troops was pinned behind a wall for hours, firing at almost point blank range into the windows.

From 7am, when the armed personnel carriers and the light tanks moved smartly into position around the building, until the surrender came, the firing was constant, intense and – for the defenders – deadly. The secondary tactic to taking the building was – as General Dmitri Volkogonov, Mr Yeltsin's military adviser, confirmed – to avoid loss of life on the attack

Continued on Page 18

BNP shares set at FFr240 in attempt to draw investors

By John Ridding in Paris

THE FRENCH government yesterday set a lower than expected price of FFr240 on shares in Banque Nationale de Paris, the country's third largest bank, in an attempt to draw investors to the first issue in its ambitious privatisation programme.

Mr Edmond Alphandéry, the economy minister, said that the issue, which will be offered to investors from today, "is aimed primarily at French households".

Market analysts in Paris said that the price of the issue, which values the bank at about FFr43bn ($7.5bn), was at least FFr10 per share lower than they had forecast. They said it demonstrated the desire of the centre-right government of Mr Edouard Balladur to guarantee a successful start to its plan to privatise 21 state-owned groups.

"They want to begin with a bang" explained Mr David Harrington, French market analyst at James Capel in Paris.

Mr Alphandéry also gave details of a group of stable investors which will hold about 30 per cent of BNP's shares after privatisation. Most of these shareholders will be French financial and industrial groups, but they will also include General Electric of the US, BAT Industries of the UK, Roche Holding of Switzerland, Dresdner Bank of Germany and the Kuwait Investment Authority.

According to Mr Alphandéry, the price was slightly above the minimum level of FFr235.5 set by the privatisation commission, an independent body formed to establish the terms and conditions of the privatisation issues.

He said it was "a medium-term" price which had been calculated on the basis of analysis of BNP's earnings performance and business strategy.

Under the terms of the BNP issue, which will close on the evening of October 12, 72m shares will be offered for sale. Of these, 37.5m will be reserved for individual investors and 34.6m for institutional investors. The tranche allocated to individual investors can be increased to 47m shares if demand is strong.

Of the core investors, Union des Assurances de Paris, the state-owned insurance group, which is also on the privatisation list, will raise its holding in BNP from 10 per cent to 15 per cent. A group of 15 other industrial and financial groups will hold a further 15 per cent of BNP's shares.

Chief among these 15 investors are Elf-Aquitaine, the oil group, which will be privatised by the middle of next year, and Saint-Gobain, the glass and building materials group – which will each hold about 2 per cent. Like the rest of the 15 investors they will pay a premium of 4 per cent.

Other core investors include Dresdner Bank, a strategic partner of BNP, which will hold about 1 per cent of the shares. The two banks eventually plan to take a 10 per cent stake in each other.

The privatisation of BNP will raise about FFr28bn for the government. The target for the year as a whole is FFr40bn. The balance will be raised through the sale of the next companies on the list, Rhône Poulenc, the chemicals group, and Banque Hervet, a small retail bank.

CONTENTS

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NEWS: EUROPE

Piëch to stress the need for rationalisation at Seat subsidiary

VW chief tries to soothe Spanish

By Christopher Parkes in Frankfurt

VOLKSWAGEN'S chairman, Mr Ferdinand Piëch, will travel to Spain tomorrow in an attempt to soothe political and union fears over the outcome of the crisis at the group's local subsidiary, Seat.

Although he is not prepared to offer any further cash aid beyond the recent DM1.5bn ($920m) emergency injection, he will attempt to convince political leaders of an urgent need for rationalisation.

Seat expects a deficit of DM1.25bn this year, and even if demand for cars improves, further substantial losses are inevitable next year without change, group officials said.

The aim of the visit was to find a solution acceptable to all sides, a spokesman said last night after a VW board meeting. A company statement added that no decisions had yet been taken over the future of Seat's factories and there was no question of the company losing its independence "as a brand within the group". It was necessary to bring Seat up to internationally competitive standards, especially in terms of employment levels.

Spanish media have charged VW with imperialism and trying to protect German jobs at the expense of Seat workers. Yesterday's newspapers carried reports that VW wanted to move key decision-making responsibilities from Spain to VW headquarters in Germany.

The outcry started last week after the resignation of Mr Juan Antonio Díaz Alvarez, the Seat chairman. He lost his job after being told by the VW board that his rationalisation plans, including around 5,000 job cuts, were "too soft".

Mr Piëch is due to meet leaders of national and regional governments in Madrid and Catalonia, and have further talks with union officials anxious about the future of the Seat site in the Zona Franca, Barcelona, which employs about 10,500 people.

Mr Piëch, who will travel with Mr José Ignacio López de Arriortúa, the group's Spanish-born production director, was yesterday warned to keep his promise that unions would be involved in decision-making.

Mr Enrique Montoya, a leader of the UGT union, who met Mr Piëch last Friday, said he believed the union voice would be heard. But if decisions were taken without union participation, there would be "protests of unprecedented intensity", he added.

UK steelmakers question aid plan for Spain

By Andrew Baxter

BRITISH steel industry officials are mounting a campaign to force changes in a European Commission-backed restructuring scheme for Sidenor, the loss-making Spanish special steels producer.

Mr Ian Rodgers, director for international affairs at the British Iron and Steel Producers Association (Bispa), will today launch a strong attack on the plan, which he claims would harm private unsubsidised competitors and is, anyway, not viable.

The Commission had hoped that the restructuring of Sidenor, along with that of Freital in Germany, would be approved at the last EC industry ministers' meeting in Brussels on September 21.

Mr Karel Van Miert, EC competition commissioner, wanted the two relatively minor subsidy cases resolved to send a clear signal of intent to reach a solution on the larger cases – involving CSI in Spain, Ilva in Italy and Ekostahl in eastern Germany.

But the UK, the Netherlands, Denmark and France said they wanted more time to study the proposals, and the UK argued that all the subsidy cases should be agreed together.

Since then, UES Steels, a private competitor of Sidenor, has announced it is closing its Templeborough plant in Rotherham, northern England, with the loss of 260 jobs. UES blamed excess capacity for engineering steels, which was being artificially kept in place by state subsidies. Mr Rodgers says the Commission had made no attempt to reassess the viability of the Sidenor scheme, drawn up last year, in the light of present market conditions and Sidenor's recent operating performance.

He is expected to tell a meeting of the European coal and steel community consultative committee in Luxembourg today that the amount of aid proposed has increased by 13 per cent to Pta80bn (£406m) since the plan was drawn up. According to Bispa, Sidenor's domestic turnover fell by 33 per cent in the first half of this year, and orders in export markets are being won as a result of "ruthless" price cutting that has only been made possible by subsidies.

The association says sales targets assumed in Sidenor's "viability" plan are unachievable without further price cutting, and says the next industry ministers' meeting in November should not authorise aid without significant additional closures.

Fall in steel use forecast

CONSUMPTION of steel in the industrialised countries will fall by 3 per cent this year to 297m tonnes, reflecting sharp declines in the European Community and Japanese markets, according to the International Iron and Steel Institute, Andrew Baxter reports.

Consumption in the EC, excluding eastern Germany, is expected to fall by nearly 9m tonnes or 8 per cent from the 1992 level, and will recover by only 3m tonnes in 1994, the institute said yesterday.

In Japan, it is expected to fall by 3m tonnes or 4 per cent this year, with a further decline seen next year.

The decline reflects the recession in many steel-consuming industries, and is offset by a predicted 5 per cent rise in developing countries' consumption to 135m tonnes this year.

Overall, consumption in the western world – industrialised and developing countries – is forecast to fall by 1 per cent this year to 432m tonnes, and to rise by 2.7 per cent next year to 443m tonnes. Total world consumption is predicted to fall by 1 per cent this year to 611m tonnes.

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German new car sales set for further 5% fall

By Christopher Parkes in Frankfurt

NEW CAR sales in Germany are likely to fall by a further 5 per cent in 1994 after a slump of more than 20 per cent this year, according to the influential Ifo economics institute.

In real terms, this means the first-time registration of 2.8m-2.9m new cars compared with 3m this year and 3.9m in 1992, when recession struck and the unification boom ran out of steam.

The continuing fall marks a further stage in the normalisation of the domestic market which was distorted by pent-up demand in the former GDR.

Many eastern Germans bought new cars after unification in late 1990, while western Germans replaced their old models earlier than normal to take advantage of higher prices for second-hand vehicles.

The 1992 figures were also boosted by a buying surge last November and December before an increase from 14 to 15 per cent in value added tax on January 1 this year.

But next year's sales will also be hit by a sharp increase in fuel taxes, the institute said. Government levies on petrol and diesel fuel are to rise by 16 pfennigs and 7 pfennigs a litre next January.

Rising unemployment and lower disposable incomes will also take their toll. The annual German wages round, due to start in the next few weeks, is widely expected to result in awards at or below next year's expected inflation rate of 3.5 per cent.

The forecast supports the widespread view that German economic recovery, next year at least, will depend on improved exports rather than any rise in domestic demand.

According to Ifo, replacement purchases in western Germany this year will fall by only a modest 4 per cent to 1.04m cars.

However, growth in overall car ownership in the region – impelled mainly by first-time buyers, company fleet expansion and the purchase of second or third family cars – dropped almost 50 per cent to fewer than 400,000 vehicles in the first half.

This was the weakest performance since the oil crisis of the early 1970s, the institute noted.

Industry executives do not expect a return to "normal" market conditions in Germany and abroad before mid-1995.

Georgian refugees from the rebel province of Abkhazia struggle to get bread from a rescue helicopter. At least 80,000 refugees in the mountains are in need of relief aid Reuter

Far right backs CDU presidential candidate

By Judy Dempsey in Berlin

THE National Democratic party, Germany's radical right-wing party, yesterday threw its support behind Mr Steffen Heitmann, the Christian Democratic Union candidate in next May's presidential election. The move is likely to embarrass Chancellor Helmut Kohl's CDU which has stood behind Mr Heitmann, Saxony's justice minister, despite controversial remarks about Germany's past.

An NPD statement said: "While Mr Heitmann is still a long way from taking true nationalist positions, we can expect him to speak out on uncomfortable truths."

Mr Heitmann has been criticised for his views on the Maastricht treaty, which he believes is being imposed on people, his conservative views on women and suggestions that Germans need no longer be so obsessed by the Nazi past. At present he faces only one opponent – Mr Johannes Rau, North Rhine-Westphalia's premier, the Social Democratic party's candidate.

W German production up by 2% in August

By Ariane Genillard in Bonn

WEST German industrial production increased by a seasonally adjusted 2 per cent in August against July.

The largest increase was in capital goods, which rose by 4.5 per cent. Manufacturing went up 2 per cent and the construction sector by 3 per cent, according to the economics ministry.

However, output for the two months of July and August remained unchanged compared with May-June. German economists pointed out that while foreign demand, mostly from the US and Asia, was picking up, domestic orders continued to decrease.

They warned that the energy tax planned for 1994 and extra burdens on pension funds from next January, would partly dampen any upswing in domestic demand.

Output for the two months was 6.5 per cent below the level for the same period last year. However, this represented a slight improvement over the months of June and July, when it stood at 6.9 per cent below the previous year.

Bonn call to speed EC entry talks

By Quentin Peel in Bonn

GERMANY is pressing for rapid acceleration of the negotiations with Austria, Finland, Sweden and Norway to join the European Community if the goal of accession by January 1 1995 is to be met.

The fear in Bonn is that if the negotiations are not concluded by the end of February 1994, it will be impossible to conclude ratification formalities through the European parliament, and all the individual national parliaments, by the end of the year.

The danger will then be that the whole enlargement process will slip back to 1996 or even 1997 and political momentum lost, according to officials.

The urgency of the enlargement timetable is such that Bonn believes far-reaching institutional reforms of the EC, to streamline its activities, should be postponed until the next full-scale inter-governmental conference on political union in 1996.

Both Paris and London, as well as many politicians in Germany, are concerned that the enlarged Community will become hopelessly unwieldy and incapable of taking decisions without institutional reforms. They would include reduction in the size of the European Commission and the European Court, and overhauling the current six-monthly rotation of the EC presidency.

Ideas for streamlining the Commission to just 10 members, and similarly reducing the size of the European Court, have been floated in Paris and Bonn. However, the thinking now in Germany is that it will be impossible to reach political agreement on such a drastic move in the next five months.

Another key element in the reform debate – probably the most contentious issue of all – is the future weighting of votes in the EC Council of Ministers, between the large member states, like Britain, France, Germany and Italy, and the smaller ones. The enlarged Community will reduce the ability of the Big Three to prevent decisions they do not like.

At present, two large members, with 10 votes apiece, and one small member, with just three votes, can constitute a "blocking minority". In an enlarged Community, the blocking minority would need to be 27 votes, not the current 23 – thus requiring a broader alliance of two big, one small and one medium member state.

The German thinking is that the change is not so important that it cannot be postponed until the planned 1996 conference. The same is also true of the size of the Commission, the European Court and the rotation of the EC presidency.

Miners turn meaning of Solidarity on its head

Poland's last government has passed on a nightmare, writes Christopher Bobinski

THE MEN sprawled across the entrance hall of Poland's coal mining industry headquarters in Katowice know they have their backs to the wall.

But these striking coalminers from Zory, a town of 60,000 inhabitants south of Katowice in southern Poland, look set to present the future Polish government with its first headache – an unresolved dispute inherited from the outgoing government of Ms Hanna Suchocka.

They are demanding that promises of new jobs in mines elsewhere, which were made last winter in the wake of a three-week stoppage, be honoured. Alternatively they want the planned closure of their loss-making coking coal pit by 1995 slowed or substantial redundancy benefits paid for two years.

The coalition government, defeated in elections on September 19, failed to satisfy their demands. These were triggered again when the first 250 redundancies were announced last week.

Now their protest threatens to spread as miners take over other management buildings in an attempt to paralyse the industry.

The dispute is the first big test for the next – left-of-centre – government coalition, now in its birth throes as the Polish Peasant party (PSL) and the former communist Left Democratic Alliance (SLD) search for a consensus on policy and cabinet posts.

The Zory dismissals are the first of a series planned to bring the number of miners down to 200,000 toward the end of the century from its present 320,000, matching falling output from 178m tonnes in 1989 to an expected 124m tonnes this year.

In the name of reform Solidarity sought to defuse worker militancy. Now it's backing the coalminers' strike

The proposed cuts challenge a favoured workforce that has traditionally been at the top of wage scales and, in the late 1970s and 1980s, had guaranteed access to western consumer goods as a reward for working a six-day week.

The strike could prove a stiff test for the SLD which has a massive faultline running down its 171-strong caucus in the 460-seat parliament. As many as 61 of those SLD deputies owe allegiance to the OPZZ, a trade union federation established in the 1980s under the auspices of the then ruling Communists, and which has won a measure of credibility, in opposition, in the past four years. This was when its rival, the Solidarity union, sought at massive political cost to itself to defuse shop-floor protests as it protected the reforming government's tight money policies.

Now the roles are reversed as the SLD leadership adopts the reformist language of the new era, partly through conviction and partly because it knows it has to retain credibility with the International Monetary Fund and the World Bank.

Pay protests last spring led to the fall of the outgoing government and there is a queue of groups ready to renew their assault on a threadbare budget.

The miners playing table tennis in the corridors and cards in the headquarter's conference rooms are non-committal about any new government.

"We are trade unionists and so we don't get involved in politics," says Mr Ryszard Jaston, Zory's Solidarity leader whose rag-tag army is well versed in the art of protest. The strikes in 1980 to win trade union rights, then against martial law in the bitterly cold winter of 1981 and again in 1988 for Solidarity, are emblazoned on the Zory pit's battle standards.

Associated Press

Krzaklewski: promises 'more radical' pursuit of demands

The strike by the 2,500 miners still employed at the pit and the occupation of the industry headquarters is being led by Solidarity. But it is also backed by the Contra union linked to the populist Confederation for an Independent Poland (KPN) party. The KPN scraped into parliament on September 19 with 5.8 per cent of the national vote and 22 seats. But the party is strong among miners and won 18 per cent of the vote in the town of Zory itself against Solidarity's 3.4 per cent.

The SLD also performed strongly, winning a 19 per cent share of the vote in Zory. Nevertheless the local branch of the OPZZ has failed to back the protest, even though Ms Ewa Spychalska, the tough and canny national head of the 4.5m-strong movement and an SLD deputy, has said "we back the miners" and many of her members are occupying the headquarters.

The dispute should help Solidarity, which just failed to win the 5 per cent of the national vote needed to get into parliament, repair its frayed credibility. Its national leader, Mr Marian Krzaklewski, has already said his movement will be "more radical" than before in pursuing its demands. Indeed he talks of "using all legal means to speed new elections".

Whatever government is installed in the next few weeks in Poland, its freedom of manoeuvre will be limited. One question is whether the miners' mood, once the hopes the elections have engendered are dashed, will turn to one of anger or apathy.

Attack on Moslems by Bosnian Croats

FIGHTING between Croats and Moslems worsened yesterday while international negotiators struggled to forge an agreement on keeping UN troops in ex-Yugoslavia, Reuter reports from Sarajevo.

A spokesman for the United Nations Protection Force (Unprofor) said Bosnian Croats had launched an offensive against Moslems in Kiseljak, in central Bosnia about 35km west of Sarajevo.

Col Bill Aikman also told reporters in Sarajevo that parts of the disputed southern town of Mostar had come under mortar fire despite a ceasefire signed at the weekend between Croats and Moslems. Two civilians died in the shelling, Sarajevo's Moslem-controlled radio reported yesterday.

European Community foreign ministers meeting in Luxembourg were discussing the deadlock in peace talks, prompted when the Moslem-led Bosnian government effectively rejected the latest Geneva peace plan by demanding more concessions on land.

Peace mediators Lord Owen and Mr Thorvald Stoltenberg said they had not given up hopes for an end to the war in Bosnia, but a settlement looked far away.

Warning on EC move to pension fund compromise

By Andrew Hill in Brussels

EC MEMBER states are moving towards a compromise on liberalisation of pension funds which could damage the industry and increase the cost of labour and pensions, according to the pension funds' trade association.

The measure, which would affect 83 per cent of the Ecu 1,000bn (£766bn) of assets in European pension funds, was originally intended to open up cross-border investment and management of funds. But the European Federation for Retirement Provision (EFRP) yesterday warned the EC risked adopting "a counter-productive and restrictive directive".

The federation claims a working group of national officials, appointed in June to re-examine the draft directive, is diluting the measure, despite objections from countries such as the Netherlands and the UK, which have large funded pension schemes. For example, the draft would abolish requirements for pension funds to invest a minimum of their capital in certain categories of assets, such as government bonds.

The federation has welcomed this move, but believes EC countries will be able to get round the obligation, because maximum limits are not outlawed.

Some member states, such as Italy and France, also want to maintain or strengthen strict limits on the proportion of assets which can be invested in currencies other than that of the fund's home country.

The measure should be discussed by ministers at one of the two internal market councils to be held by year-end. Officials from Belgium, which holds the EC presidency until January, said a general "willingness to compromise" existed on the directive. Belgium has called a pensions funds working group meeting today.

West backs Russian leader's action

By Our Foreign Staff

WESTERN leaders rallied behind President Boris Yeltsin yesterday, pledging their continuing support for the Russian leader after the surrender of his opponents in Moscow.

The US found no fault with the suppression of the Moscow revolt. The operation in Moscow had been "strategically planned and tactically executed so as to minimise the loss of life", said Mr Strobe Talbott, in charge of policy towards the former Soviet Union at the State Department. Mr Warren Christopher, the secretary of state, may go to Moscow later this month to demonstrate the "business as usual" US approach. Earlier, Ms Dee Dee Myers, the White House spokeswoman, said President Bill Clinton, who is in California, stood "four square" behind President Yeltsin. "Democratic governments have to defend themselves against force and clearly that's what Yeltsin has done."

In Luxembourg, the European Community backed Mr Yeltsin with an agreement in principle to hold an EC-Russia summit in November and to accelerate efforts to reach a new bilateral trade agreement by the end of the year.

The strategy, agreed at a meeting of EC foreign ministers, rests on strengthening political support for pro-democracy forces in the run-up to Russia's parliamentary elections scheduled to take place in December. Brussels officials said. "We are putting our money on the Yeltsin horse," said one diplomat, "because we have not got any other horse".

Britain, France and Germany led the push for Mr Yeltsin at the Luxembourg gathering yesterday. A joint statement deplored the loss of life in Moscow, but declared that "elements hostile to the democratisation forces in Russia" carried "a heavy responsibility for having deliberately provoked violence in the Russian parliament and in different parts of the capital".

In Bonn, Mr Helmut Kohl, the German chancellor, said Mr Yeltsin had his "full sympathy and support". He identified a "vital interest of Germany and the west in a continuation of the democratic reform process in Russia, as embodied by President Yeltsin".

Mr John Major, the British prime minister, said in London: "There should be no doubt that he [Yeltsin] has our total and unequivocal support for the action that he has taken." He was speaking after talks with Mr Boris Pankin, the Russian ambassador.

The Japanese government expressed full support for the reform aims of Mr Yeltsin, who is due to visit Tokyo next week. Mr Tsutomu Hata, the foreign minister, said Mr Yeltsin's reform efforts "must not be blocked, and Japan's support for his efforts will be unchanged".

China was the only important power not to back Mr Yeltsin, painstakingly avoiding taking sides. "We are deeply concerned about the recent bloodshed in Moscow," the Chinese Foreign Ministry said.

At the Luxembourg meeting of EC foreign ministers yesterday, Sir Leon Brittan, EC commissioner for external affairs, urged ministers to be more flexible in trade negotiations with Russia so that a deal could be wrapped up by the end of the year. The EC underlined yesterday it would want to discuss with Russia security issues and prospects for Nato enlargement, as well as bilateral trade at the proposed summit in November.

Mr Yeltsin considers a trade and political co-operation pact with the EC to be a big prize, but talks stalled during the summer over several Russian demands which Brussels considers unrealistic. These include Mr Yeltsin's wish for the same treatment as emerging democracies in eastern Europe, such as Poland and the Czech Republic, rather than as a "state trading" country such as China or North Korea, whose exports can be restricted under so-called safeguard clauses.

The bloody drama hour-by-hour

05.00-06.00
- Troops deployed around Kremlin and Defence Ministry
- Fighting at TV headquarters abates; building remains in the hands of Yeltsin supporters

06.00-07.00
- Talks between Yeltsin and parliament camps broken off

07.00-08.00
- Armoured personnel carriers attacked from parliament building
- Yeltsin orders troops to urgently liberate buildings held by opposition forces
- 25 people reported killed in overnight fighting

08.00-09.00
- Tanks encircle parliament

09.00-10.00
- Yeltsin vows in TV broadcast to crush "fascist-communist mutiny"
- Troops storm parliament amid tank and machinegun fire and seize first two floors
- Rebellion leader Rutskoi appeals for talks with Yeltsin; Rutskoi told assault would end if all defenders surrender arms and emerge under white flags

10.00-11.00
- Rutskoi reportedly agrees that armed volunteers should leave building

11.00-12.00
- Parliament chairman Khasbulatov says he ready for negotiations but not surrender
- Tanks pound parliament; clouds of thick smoke pour from 13th storey

12.00-14.00
- Thousands of onlookers, including children, gather as the operation continues; more armoured cars, light tanks and troop trucks enter the city centre

14.00-16.00
- Three rebels leave building carrying white flags; Defence Minister Grachev arrives for talks
- Yeltsin aide estimates that 500 have been killed inside the building, but this is later officially said to be "greatly exaggerated"
- Yeltsin imposes overnight curfew in city from 23.00 to 05.00
- Yeltsin aide says any defenders who raised hands in air, dropped weapons or raised white flags would be spared but there would be no guarantee "for those who started all this bloodshed"
- Yeltsin reportedly leaves Kremlin headquarters for home
- French television says Rutskoi and Khasbulatov ready to surrender if safety guaranteed

16.00-17.00
- Troops renew assault with tank and machinegun attacks; 2,000 people are now onlookers
- Lines of unarmed people start leaving the burning building, men and women, many with their hands behind their heads. Their number soon grows to several hundreds
- Not long afterwards Rutskoi and Khasbulatov also surrender

Markets take a cautious view

By Our Markets Staff

WORLD financial markets appeared yesterday to put their faith in the relative stability offered by President Yeltsin, although most trading was still cautious.

"People took the view that Yeltsin would win even if it meant flattening the White House," said Mr Julian Jessop of Midland Global Markets.

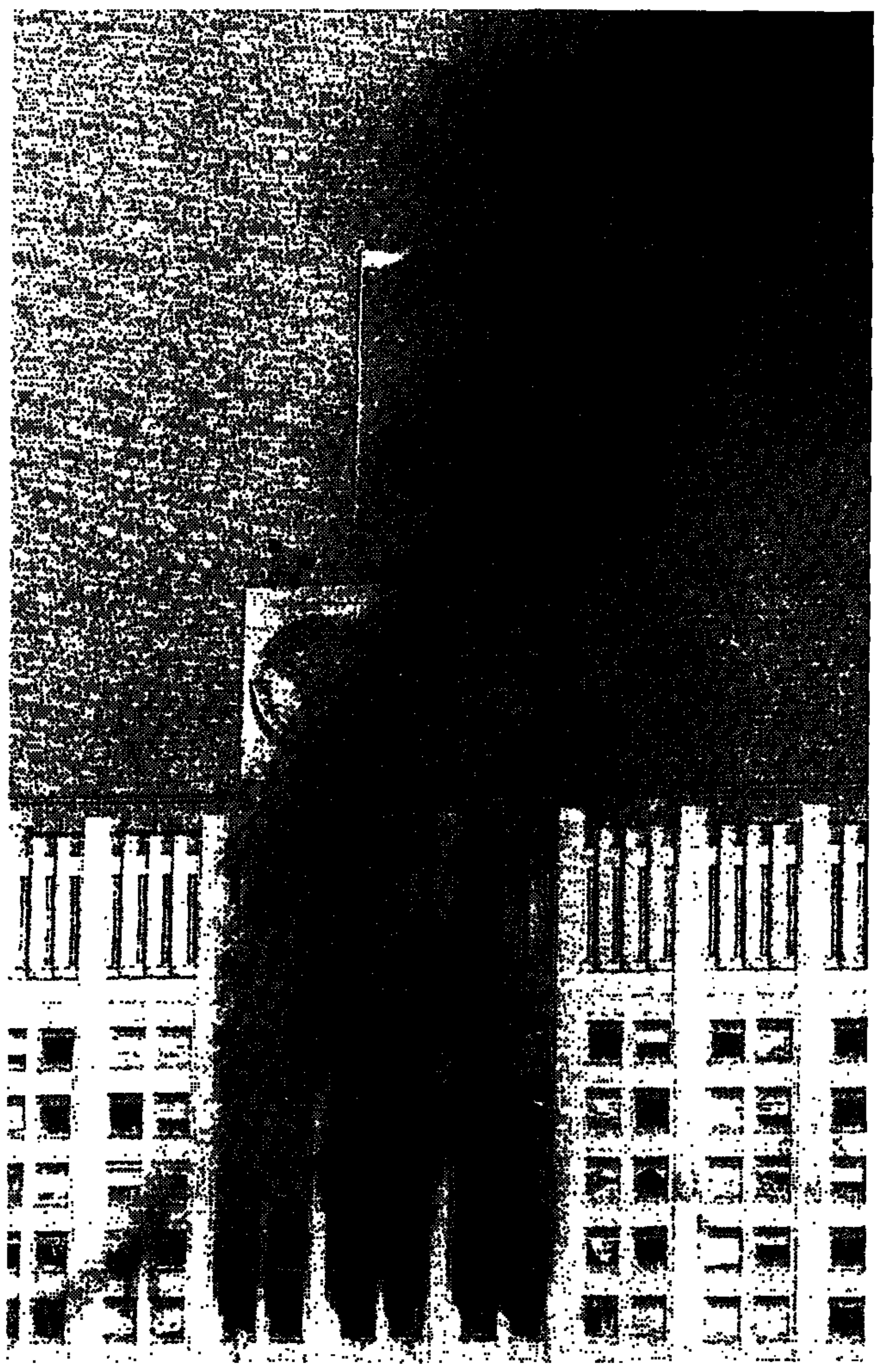
The D-Mark, the currency most at risk from any turmoil in Russia, recovered an early loss of around two pfennigs on Far East markets to close later in London at DM1.6240 against the dollar.

European government bond markets, which normally thrive in a climate of political stability, rose across the board. Stock markets also edged higher.

German government bonds moved higher, with the bund futures contract for December ending 0.20 points higher at around 99.00.

Gold rose sharply at the opening in London, but plunged later under pressure from US selling inspired by the belief that Russia's turmoil was ending. It closed down $2.45 at $352.75.

European equity markets were relatively unperturbed in early trading but rose as Mr Yeltsin was perceived to be regaining control.



Reuter

Moscow's White House on fire yesterday after a pro-Yeltsin tank unit fired shells at the building

Yeltsin pulls army into political ring

By Leyla Boulton in Moscow

IT IS an irony that Mr Boris Yeltsin relied so heavily on the army to prevail over his enemies yesterday – an army which had desperately tried to stay out of Russia's political battles.

Only two weeks ago, General Pavel Grachev, the defence minister, warned of disaster if the army were drawn into politics.

But when police and Interior Ministry troops fled from the rag-tag army who broke out of the White House on Sunday, Mr Yeltsin had only the army to turn to.

"I am not surprised by the support he received because the army's conditions had considerably improved in recent times," says Professor Sergei Blagovolin, a defence expert at Moscow's Institute for National Security and Strategic Studies.

"But I am surprised by the fact that support was so unanimous." By increasing officers' pay and touring key garrisons outside Moscow, Mr Yeltsin had done a certain amount of homework before using the army.

But more than anything else, the success of Mr Yeltsin's desperate gamble depended on the speed with which élite troops moved to crush the rebellion in the White House.

At his disposal were the paratroopers from the 77th Guards airborne division in Pskov and the 106th from Tula, as well as the Kantemir artillery division, which is a four-hour tank drive from Moscow.

Any protracted conflict in Moscow would have given army commanders more time for doubt. That was precisely what the disgraced vice-president, Gen Alexander Rutskoi, had banked on when he ordered his detachments to seize key points in the city.

In the event, Gen Alexander Lebed, the ambitious commander of Russian forces in the breakaway enclave of Dnestr, was the only senior officer to publicly express doubt in Mr Yeltsin's ability to override the crisis as he did. But he went no further than suggesting that Russia's regional leaders should take power in their hands.

Mr Rutskoi may have complained at a press conference only hours before the onslaught that Mr Yeltsin would be held responsible for the destruction of the army and the fact that it could no longer defend the motherland.

But it was Mr Rutskoi, a former Afghan war veteran who saw himself as the country's saviour, who pushed Russia to the brink of civil war by making a last pitch for power.

"He was nothing but a puppet who was manipulated by pro-communist forces," said Nikolai, a major in the air force where Mr Rutskoi made his mark. "They thought the army would follow him.

"But more than anything else, the army is afraid of the country falling apart," he added, as he stopped along the Moscow River to watch the storming of the White House. "It has stopped believing rival politicians' promises they would do a better job defending the army's interests."

Popular memories of Russia's own murderous civil war in 1918-20, as well as of the disgrace of officers who supported the failed coup against President Mikhail Gorbachev, were an added incentive for officers to keep their heads down.

But another lesson of the 1991 coup, which Mr Yeltsin must now act on, is to capitalise on his victory and move ahead quickly with reforms, including sweeping reform of the army.

The fact that only officers manned the tanks and armoured personnel carriers at the White House underlined Kremlin leaders' preference for a professional army instead of its big unwieldy conscript force. But moves to cut the 2m-strong force to a 1.5m semi-professional army, and to stop it from meddling in the affairs of other former Soviet republics, will require level-headed management of the army by the civilians. Although conscripts were present, President Yeltsin's military adviser, Gen Dmitry Volkogonov, said the White House operation was planned to "prevent the deaths of Russian 18-year-old conscripts".

The pace of the assault on the White House was also slowed to minimise a loss of life among the anti-terrorist *Spetznaz* troops who were the first into the parliament building yesterday.

The Russian army has traditionally played a crucial role in Russian history. "In truth what is it that has essentially upheld Russian statehood? Not only but exclusively the army," said Mr Sergei Witte, Russia's prime minister at the beginning of the 19th century.

But at a time when the country faces dire financial straits and restlessness among its regions, its masters are rightly keen to use the world's most powerful standing army with care.

IMF loan may be delayed

THE latest developments in Moscow have left the International Monetary Fund more uncertain than ever about whether it will be able to resume financial support for economic reform in Russia, writes Peter Norman, Economics Editor.

Yesterday, officials in Washington were trying to establish what had happened to the IMF office in Moscow after reports that it had come under fire.

More worrying were the implications for the future. Ten days ago, Mr Michel Camdessus, the IMF managing director, put a brave face on events in Russia and held out hope that Mr Boris Yeltsin's government would be able to step up the process of economic reform sufficiently to qualify for a $1.5bn (£970m) payment early next year.

But after a visit by IMF economists to Moscow, the fund's view is that plans already announced for subsidy cuts and controls over credit and the central bank are insufficient.

Whether Mr Yeltsin's government will be able to turn policy into practice is also an open question.

Foreign companies take cover – but not flight

By Our Industrial Staff

MR GEOFF RHODES, British Airways manager in Moscow, spent yesterday lying on the floor of his office. Above him, snipers on top of the 20-storey Mezhdunarodnya building exchanged fire with artillery on the ground.

Despite the disruption to business, however, foreign companies were cautiously optimistic about the situation yesterday. They also emphasised that operations outside the Russian capital were largely unaffected.

The UK computer company International Computers (ICL), which has been operating in Russia for 25 years, said the expectation among staff and customers was that the situation would soon return to normal. Emergency plans to evacuate staff were in place, but things would have to get "very much worse" before they were implemented, ICL said.

The German chemicals group BASF, which has its office very close to the White House, said its 40 staff had stayed away yesterday. However, work on its two joint ventures in Siberia went on as usual.

BAT Industries, the UK-based tobacco giant, said: "We have a staff of 30 in the city, but we have not taken any steps yet to pull them out. They are all staying in their homes for the time being and appear to be safe there."

Flights in and out of Moscow's Sheremetyevo airport were unaffected, BA reported yesterday. Russian airspace, the main air corridor between Europe and Japan, was still open.

However, BA staff at the airport were staying at nearby hotels last night rather than risk returning to their homes in the city.

One western oil company executive said in London yesterday that production was normal at the company's operations in western Siberia. "We're just carrying out business as usual," he said. "We're in Russia for the long term and believe the government will overcome its present problems."

Most companies said their financial exposure to Russia was strictly limited.

The engineering contractor Trafalgar House, which has large contracts with the Russian government, said all its Russian business was covered by advance funding. ICL said that on a worst case, the investment it stood to lose in Russia was only £2m-£3m.

Western military surprised by number of troops used and timescale

Assault tactics puzzle experts

By David White, *Defence Correspondent*

MILITARY experts were puzzled yesterday by the tactics used in the assault against Moscow's parliament building.

Despite the success of the operation, they said they would have expected a much larger force to be deployed to ensure a quick result.

They were surprised that no attempt was made to set up a security cordon to keep crowds back and allow forces to take over the White House unimpeded. Instead, bystanders were allowed to come between the firing line and the building.

About 500-700 troops were thought to have been involved in clearing the building itself, with about 1,000 more – two battalions' worth – in the immediate vicinity.

Armoured vehicles from crack airborne units, which could have ferried forces in by helicopter, were not sighted until late in the proceedings.

Perhaps most astonishing was the apparently hasty preparation. Tanks did not come with their ammunition loaded, as would normally be the case.

> Perhaps most astonishing was the apparently hasty preparation. Tanks did not come with their ammunition loaded, as would normally be the case

According to western experts, the operation relied mainly on two divisions, with tanks from the 4th Guards tank division and armoured personnel carriers from the 2nd Guards motor rifle division. Both these divisions were deployed during the abortive 1991 coup. Mr Yeltsin has credited them with refusing to attack the parliament building on that occasion.

Also involved were elements of the Interior Ministry Dzerzhinsky division, the 27th motor rifle brigade, as well as the Kremlin Guard, which reinforced its positions on Sunday night, and élite army special units, employed in the storming of the White House.

Experts saw several possible explanations for what they described as the "unusual" nature of the operation:

- An effort to keep casualties down, partly in response to international pressures. However, one expert pointed out: "It is not necessarily a good way of minimising casualties to attack a building with an insufficient force."
- Concern about stirring up the civilian population.
- An indication that Mr Yeltsin did not have many reliable units to call on.

Hasty preparation could suggest that initial plans for storming the building had to be substituted. Most senior military figures are thought to have been extremely reluctant to become involved in the politicalstruggle.

Experts believe the scenes in Moscow may have built up resentment in the military against Mr Yeltsin's handling of the crisis.

They also believe it may be harder for him to count on military support as he confronts regional demands for autonomy.

Eastern Europe looks on without the old fears

No longer directly affected, countries of the former Soviet bloc see President Yeltsin as democracy's best hope, FT writers report

THE tremors from power struggles in Moscow have traditionally radiated far beyond the confines of the Kremlin and been monitored with a mixture of hope and fear in east and central Europe.

This time too, anxious spectators have been glued to live television and radio reports of events around the Moscow White House. But this time it is different.

For the first time in five decades the peoples of former communist Europe have been watching as voyeurs rather than potential participants in a drama whose outcome could immediately threaten their own existence. For politicians, businessmen and ordinary citizens, the travails of the new Russia are looked on with understanding more than fear, and Russia is seen more as a long-term trade partner than a potential enemy.

Yesterday, east and central European leaders joined those from the west in expressing support for Mr Boris Yeltsin, as democracy's best hope.

Czech President Vaclav Havel said: "It is a clash between those who seek democracy and those who have decided to fight under the red flag and at the cost of bloodshed and victims to reinstall the old order."

Ukraine strongly condemned the "irresponsible and adventurist" Russian parliament and appealed to the Russian people to support the government and "prevent the reversal of democratic reforms".

It was very different in August 1991. When the anti-Gorbachev forces set out to restore the essentials of the old Soviet empire, both the Soviet Union and the Soviet Communist party still existed. Thousands of Soviet troops remained in Poland, Hungary and Czechoslovakia as well as former East Germany.

At that point a victory for the old communist forces could still have led to a new chill in relations with the west and, perhaps, a new attempt to reassert some form of Soviet control over the former east bloc.

Yet such a restoration would have been beyond the powers of those who filed out of the White House yesterday afternoon after failing to wrest power from President Yeltsin. Russia without the Baltic states, Belarus, and above all Ukraine and the central Asian states, is not the same as the Soviet Union. It is still huge and unwieldy, and needs a new constitutional arrangement to give a more flexible federal structure. But it is no longer the threatening Soviet bear.

Mr Jozsef Antall, the Hungarian prime minister, yesterday declared his support for Mr Yeltsin. He went on to reassure Hungarians, who fought their own bloody revolt against Soviet rule in 1956, of his conviction that "no problem would arise which would mean the victory of the forces of restoration or some such crisis which would affect the whole world".

At the same time, however, he said continuing instability in the east highlighted the need for Hungary and other former communist states in central Europe to be fully integrated into a wider European Community and Nato.

The sight of fighting in the streets of Moscow also revived nervousness in Warsaw, where a week earlier voters had been sufficiently nonchalant about any communist danger from the east to support former communist-era parties at the general elections.

"What happens if the armed forces in the Kaliningrad region decide to march home to take part in the conflict? One of their possible routes lies through Poland," one commentator worried aloud on Polish television on Sunday.

But Mr Aleksander Kwasniewski, the leader of the Democratic Left Alliance was quick to tell the Gazeta Wyborcza newspaper that his party was not interested in supporting anyone "who wants to rebuild Russia's imperial traditions".

"We are for democracy, a free market and integration with Europe, and it is in this light that we will assess the changes in Russia" he said.

In the same paper Mr Bronislaw Geremek, leader of the Democratic Union mainstream Solidarity party, warned that the events in Moscow marked "an enormous threat to European security": in the circumstances, the west "should not support just anyone who was able to restore order in Moscow but... the most important thing was that the democratic reforms in Russia should continue".

Reporting by Christopher Bobinski in Warsaw, Nicholas Denton in Budapest and Anthony Robinson in London

Republican leader to quit

Michel goes, Gingrich may take over in House

By George Graham in Washington

IN a move which could herald more confrontational relations between the Republican party and the Democratic administration, Congressman Robert Michel, leader of the Republican minority in the US House of Representatives, yesterday announced he would retire from Congress after the next election.

Mr Newt Gingrich, an acid-tongued Georgia conservative, is the front-runner to take Mr Michel's place as leader.

Mr Michel has in recent weeks signalled growing disillusionment both over his chances of ever becoming Speaker of the House and over the strident tone of the right-wingers in his party.

Announcing his retirement in his native Peoria, Illinois, Mr Michel said that he would have felt an obligation to continue to serve if former President George Bush had won re-election last year.

"I don't have that obligation now," he said.

"Even though I believe the prospects are excellent for our winning big in the House next year, I'm not sure it will be enough to make me speaker. Therefore, I believe it's appropriate to announce my intention to bow out now, when we're on a high and there's time remaining in this term to help make an orderly transition from my leadership to whomever," Mr Michel added.

Mr Michel, 70, has been in Congress for 37 years and served as House Republican leader since 1980.

His obvious discontent with the younger right-wingers in his party in the past few years has less to do with content than with style. His own voting record is solidly conservative on economic, social and foreign policy issues, but he also comes from a tradition of working with the majority Democrats in order to win concessions.

He particularly resents those of his colleagues who spend their time in Washington criticising Congress.

"I never went to Congress with the idea of trashing that institution," he said.

The younger right-wingers, who now dominate the House Republicans, "judge not by philosophy but by belligerence", according to former Republican congressman Mickey Edwards of Oklahoma.

Mr Gingrich, a mop-headed former history teacher, has been the leader of this school, and now holds the Republicans' number two position as minority whip.

Michel: disillusionment

Senator Robert Dole, the Republican leader in the other chamber, faces much the same sort of challenge as Mr Michel from Senator Phil Gramm of Texas, another aggressive right-winger.

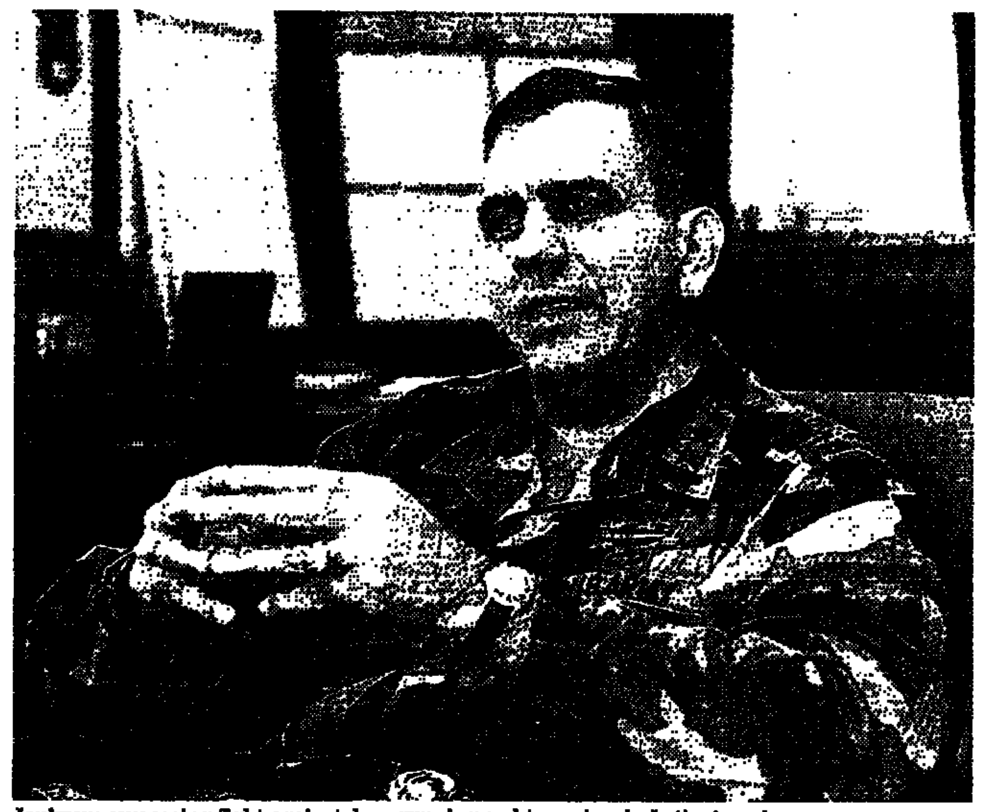
Joulwan named to head Nato forces

PRESIDENT Bill Clinton yesterday named General George A Joulwan as Supreme Allied Commander of the North Atlantic Treaty Organisation's forces in Europe (Saceur), George Graham writes from Washington.

The Pentagon said the Nato allies had already approved Gen Joulwan's appointment, which opens the way for General John Shalikashvili, his predecessor as Saceur, to take up his new post as chairman of the US Joint Chiefs of Staff.

Senator Sam Nunn, chairman of the Senate armed services committee, said he would not complete Gen Shalikashvili's confirmation until a successor had been named.

Gen Joulwan, 53, is in Panama as head of the US Southern Command, in charge of all US forces in Latin America. Known for a ferocious temper, he has overseen US efforts to curb drug running and terrorism in Latin America, as well as presiding over preparations for the US's withdrawal from the Panama Canal by the end of 1999.



Joulwan: overseeing fight against drug-running and terrorism in Latin America — Rali Braum

An infantryman with two combat tours in Vietnam and extensive service in Europe, he had been considered less experienced than some other candidates in the political skills required for the job.

Besides completing the reduction in US forces in Europe to around 100,000, General Joulwan will also face the challenge of leading Nato in its adaptation to new tasks such as peacekeeping.

Economic virtue brings Mexico little reward

Low growth may put market reforms at risk, reports Damian Fraser

MEXICO'S reward for eight years of textbook market economic policies is proving scant.

Modest growth of 2.4 per cent last year gave way to a 1.4 per cent expansion in the first half of this year, while growth in the second quarter amounted to just 0.3 per cent, with agriculture and manufacturing contracting by 3.7 per cent and 1.1 per cent.

For Mexico's ruling party, which faces a presidential election in August, the low growth threatens to erode support for the pro-market economic reforms of the past decade. All year, businesses, unions and farmers have been clamouring for more expansionary fiscal and monetary policies.

Some of these demands were met on Sunday when President Carlos Salinas announced measures agreed in the annual pact between government, unions and the private sector. These included a cut in corporate and employment taxes, and a more than 15 per cent increase in the minimum wage by next year.

That would see the government with a balanced budget next year, down from an expected surplus this year of about 1.1 per cent of GDP.

Despite such fiscal prudence, the economy remains vulnerable, particularly if the North American Free Trade Agreement is not approved as scheduled by January 1. Were Nafta rejected, the government might have to push interest rates even higher than the 8 per cent real rate already seen to protect the exchange rate.

A greater problem might be the uncertainty of another postponement of the treaty. Investment, the main engine of economic growth over the past two years, has slowed sharply this year, partly in response to high interest rates, but also as nervous businessmen await the Nafta outcome.

Meanwhile, Mexico's private sector is undergoing a radical transformation to compete under free trade and unregulated domestic markets. Most businesses have cut production in unprofitable lines, fired workers, and closed factories. In the short term, such actions have contributed to the slowdown.

Mr Sebastian Edwards, the chief economist for Latin America at the World Bank, says: "It takes a lot of time for reforms to work. The big question is whether there is enough patience in a democracy, or semi-democracy, to wait long enough for the results."

Mr Edwards emphasises that many of Mexico's important economic reforms, such as widespread privatisation, deregulation, and the opening to international capital markets, only occurred after President Salinas came to power in 1989. The reform of Mexico's *ejido* (quasi-communal) farm system was not finalised until the end of last year, and with regularisation of land titles going slowly, will not have any positive impact for some time.

Mexico's labour laws still encourage rigid work practices, and the country has, according to Mr Edwards, the most distorted system of severance payments in all Latin America. This has made the job of restructuring Mexican companies more onerous than it could have been.

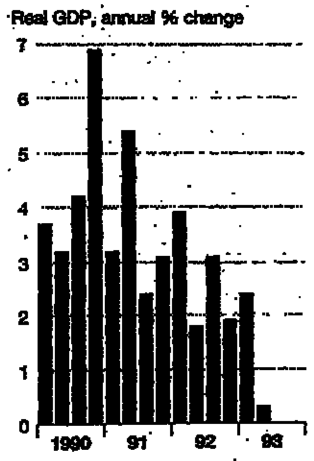
For the moment a reform of the labour laws is out of the question. As the new social pact reflected, the ruling party is nervous about upsetting the unions in the run-up to the presidential election. And any attempt to weaken unions before the US congressional vote on Nafta would almost certainly create a furore in the US.

However, Mr Salinas yesterday announced a radical reform of Mexico's agricultural sector, replacing price supports with direct cash grants to farmers. Later this year, he is expected to propose a new liberal foreign investment law and legislation allowing more private investment in railways and airports.

A government official says the increased emphasis on micro-economic reform accompanied by a gentle relaxation of fiscal policy will lead to economic growth of around 3.5 per cent next year. If such growth is not obtained, then the "Mexican model" may start to lose its lustre.

Mexico

Real GDP, annual % change



Source: Government Statistics Office

US poverty figures show 30-year high

THE number of US citizens living in poverty last year reached a 30-year high, at 36.9m people, equivalent to 14.5 per cent of the population, Reuter reports.

That compared with 19.5 per cent in 1963, the US Census Bureau said yesterday.

The south remained the region with the highest poverty rate, 16.9 per cent.

Household income was flat compared with the year before, except in the north-east, where median household income fell 3.7 per cent. The number of those lacking health insurance also climbed by nearly 6 per cent to 37.4m, the bureau said.

Poll boost for Argentina's rulers

By John Barham in Buenos Aires

ARGENTINA'S Peronist government has emerged as the overwhelming victor in Sunday's mid-term congressional elections. The government took 43 per cent of the votes against 30 per cent for the Radicals, the main opposition party.

The Peronist triumph was more significant for its defeat of the Radicals in Buenos Aires city, their traditional stronghold, and a decisive victory in Buenos Aires province, the country's most populous region.

The government now holds 48 per cent of the seats in the 257-strong lower Chamber of Deputies, against 45 per cent before the election. It already has a two-thirds majority in the Senate.

The victory should increase President Carlos Menem's chances of amending the constitution so that he can run for re-election.

The government's only significant reverse was in the province of Córdoba, where the Radicals have ruled for 10 years. The economy minister, Mr Domingo Cavallo, led the government campaign in Córdoba, but the Peronists won only 36 per cent of the votes – 2 points less than in the last elections two years ago.

Mr Cavallo said yesterday he was "sad and disappointed" with the outcome, attributed to local political rivalries. Mr Cavallo's successful economic policies were the chief factor in the government's election victory but his rumoured bid for the presidency in 1995 now looks less likely.

Mr Eduardo Angelóz, governor of Córdoba and Mr Menem's challenger in the 1989 presidential elections, has grown in stature as a contender for the Radical presidential nomination.

The Peronists' surprising victory in the city of Buenos Aires has transformed Mr Erman González, a former economy minister who spearheaded the campaign, into a powerful figure in national politics.

Fresh arrest in Japanese 'bribes' case

By Robert Thomson in Tokyo

JAPANESE public prosecutors yesterday arrested an executive of Taisei, a leading construction company which had denied its head-office officials were involved in a widening political bribery scandal.

Mr Takashi Hashimoto, 57, a vice-president of Taisei, was arrested for his alleged role in the bribery of a local governor who, prosecutors say, accepted Y20m (£122,600) from the company on the understanding it would be awarded public works contracts.

Taisei said last week that two provincial managers arrested for the alleged bribery of Mr Shuntaro Honma, the governor of Miyagi, north of Tokyo, had acted without the approval of head office, apparently prompting the prosecutors to take aim at the company again.

The company yesterday apologised for the embarrassment caused by the case, though it insisted that executives had merely given a political donation to Mr Honma, whose resignation was accepted by the Miyagi prefectural assembly yesterday.

Executives from five of Japan's largest contractors have been arrested in the past three months, and the scandal has forced the government to review the selection process for public works contracts.

But Construction Ministry officials say the unfolding scandal could slow the award of construction projects commissioned under the government spending packages intended to stimulate a weakening economy.

Prosecutors appear to be shifting their investigation to national politicians with close ties to the construction industry, particularly members of the Liberal Democratic party and ex-members of the party who joined the government coalition of Mr Morihiro Hosokawa.

Philippines likely to accept N-plant deal

By Jose Galang in Manila

THE PHILIPPINE government is moving towards accepting an offer for an out-of-court settlement from Westinghouse Electric of the US to end a protracted legal battle involving the construction of a 620MW nuclear power plant.

President Fidel Ramos yesterday said he had approved "in principle" a review committee's recommendation to accept Westinghouse's offer worth $49.5m (£32m) to settle the conflict.

The committee, set up to review the government's options in connection with the case, is headed by Mr Delfin Lazaro, the energy secretary.

The Philippines had sued Westinghouse, along with its subcontractor Burns and Roe Associates, in a US court for allegedly bribing the late Mr Ferdinand Marcos, then Philippine president, and an associate in order to win the power plant contract.

Last May a New Jersey court cleared the two US companies of the Philippine government's charge. However, the Philippines kept its option for an appeal.

Mr Ramos, after the May verdict, had also ruled against operating the facility as a nuclear plant, ordering instead its conversion to enable it to be fired by conventional fuel.

The settlement offer involves the supply by Westinghouse of two turbine generators, which can be fired by oil or gas. The first is due by the end of this year and the other in February, and both should be in operation by May.

Mr Ramos said in a press briefing yesterday it was still necessary to inform the two chambers of Congress about the compromise package. While Mr Ramos said informing Congress was only a formality, some members of the House of Representatives and the Senate said they would in fact vet the agreement.

Some congressmen were yesterday already criticising the deal, noting that the Philippines was "at the losing end".

Before the trial on the case early this year, Westinghouse had offered a compromise worth some $75m, but the Manila government rejected it. After the May verdict, Westinghouse offered originally one turbine worth $25m to avert a Philippine appeal.

Mr Lazaro, who had led the talks with Westinghouse, described the settlement as "the best we can get at this time". He said further litigation could prove costly without any guarantee of winning.

The settlement does not cover loans acquired by the Philippines for the nuclear plant construction. Some $1.1bn of such obligations remain payable to a consortium of financing institutions led by the US Export-Import Bank.

Pakistan poll looks unlikely to settle score

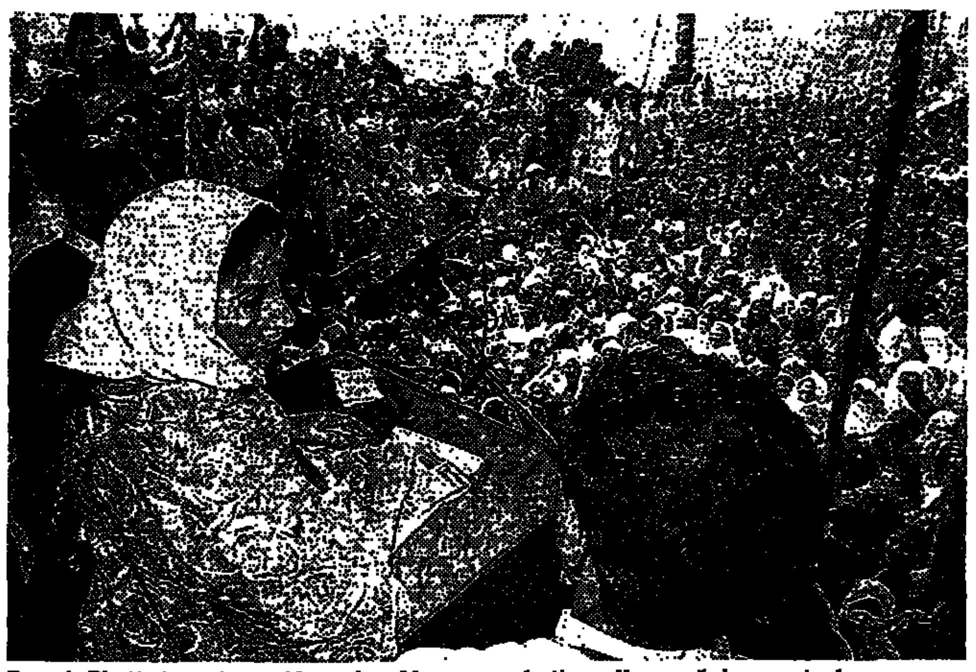
Bhutto leads contest where winning votes is only half the battle, writes **Stefan Wagstyl**

PAKISTAN goes to the polls tomorrow in its third general election in five years with the leaders of the main parties both claiming victory is in their sights.

But independent observers believe Ms Benazir Bhutto, prime minister between 1988 and 1990, has an edge over Mr Nawaz Sharif, her successor who was forced to resign in July after a prolonged political crisis.

However, Ms Bhutto's lead could be so thin that her Pakistan People's Party (PPP) may find it difficult to form a stable government. A poll published by Newsline, a weekly magazine, gave the PPP 34 per cent of the vote against 31 per cent for Mr Sharif's Moslem League and 9 per cent for the Pakistan Islamic Front, an alliance of Islamic parties.

Other estimates suggest Ms Bhutto could win 70 to 80 seats in the 217-seat National Assembly – more than Mr Sharif but not enough for a majority.



Benazir Bhutto turns to an aide as she addresses an election rally near Lahore yesterday Reuter

Pakistanis are less interested in the outcome than in the last two elections, which came after 11 years of military dictatorship under General Mohammed Zia ul-Haq. Gen Zia's death unleashed hopes that Pakistan might quickly evolve into a stable democracy – hopes which generated enormous enthusiasm and which have since been dashed.

Politics since his demise have been dominated by conflicts within the three-cornered establishment which rules Pakistan – the prime minister, the army and the president. These conflicts brought down Ms Bhutto's government in 1990 and this year destroyed that of Mr Sharif. "I'm not going to waste time voting. I'm going to work," says an Islamabad businessman.

Ms Bhutto and Mr Sharif do not differ greatly on policy. Their economic options are limited by serious current account and government deficits: they largely accept the austerity measures of Mr Moeen Qureshi, the caretaker prime minister, who has sought emergency funds from the International Monetary Fund.

On foreign policy, Ms Bhutto seems more committed than Mr Sharif to solving the dispute over Pakistan's nuclear programme which has soured relations with the west; but Mr Sharif is no isolationist. Meanwhile, both want to reduce the president's powers via a constitutional amendment.

However, the two leaders' styles are utterly different. Ms Bhutto, daughter of Mr Zulfikar Ali Bhutto, the populist prime minister of the 1970s executed by Gen Zia, has inherited her father's oratorial ability. Tall and elegant, she is treated like a queen by her most loyal supporters. At a rally last week in the southern province of Sind, her home territory, she was presented with a gold crown.

Mr Sharif does better in the backrooms of politics than on the campaign platform. He made his name as a businessman and powerbroker in his home base of Punjab, the largest and richest province, and won Gen Zia's attention with his skill in the murky financial dealings which underlie Pakistan's politics.

The campaigns have not been short of vitriol, including charges of corruption, murder and terrorism. Ms Bhutto accuses Mr Sharif of abusing power almost as much as General Zia. Mr Sharif retorts that he stands for "democracy not dynasty" – a reference to the Bhutto family's domination of the PPP. Mr Qureshi's interim government has added spice by publishing names of loan defaulters to highlight abuses by the rich and famous.

Ms Bhutto is riding the crest of a wave largely of Mr Sharif's making. Just last year, her support seemed at its nadir when PPP protest marches fizzled out. Mr Sharif appeared to be firmly in power, working closely with President Ghulam Ishaq Khan and with military leaders who seemed content to take a back seat. But the delicate power balances collapsed when the army chief of staff died suddenly and Mr Sharif and Mr Ishaq Khan quarrelled over appointing a successor.

The arguments escalated into a bitter struggle in which each tried to curb the other's power. The president dissolved the National Assembly in April only to be overruled by the Supreme Court. Eventually, the army generals urged both the prime minister and the president to resign.

Mr Sharif has lost the military and bureaucratic establishment's backing. But he is not without resources: he has money and professional managers and the support of big business. His party appeals to many middle-class Pakistanis. Moreover, he has made political capital out of the fact that Ms Bhutto, for all her democratic ideology, co-operated with the president when he tried to dissolve the National Assembly.

Ms Bhutto is the beneficiary of all the turmoil. On the campaign trail she behaves like a leader who feels confident of returning to the prime minister's office. But as she knows from her own experience and from Mr Sharif's more recent travails, winning an election is only half the game. The other half begins once the votes are counted.

Sihanouk offers role for rebels

CAMBODIAN King Norodom Sihanouk said yesterday the hardline Khmer Rouge guerrilla group would be brought into Cambodia's new government as advisers, AP reports from Phnom Penh.

This followed talks last Friday with Mr Khieu Samphan, Khmer Rouge president. The Khmer Rouge issued a statement after the talks saying it wanted peace but indicating it would never reach a settlement with the coalition government, elected in a United Nations-organised poll in May.

Earlier, the group had asked for an advisory post in the new administration, saying it then would turn over the 20 per cent of Cambodia it controls and its 10,000 hard-core guerrillas.

Car bomb injures 30 Israelis

By David Horovitz in Jerusalem

ABOUT 30 Israelis were injured yesterday when a Palestinian suicide bomber drove a car laden with explosives into a bus near the West Bank settlement of Beit El.

The dead bomber, identified as 20-year-old Kamal Bani Odeh from the West Bank village of Tamoun, was said by Israeli military officials to have belonged to the Hamas Islamic resistance movement. He had been wanted by the army for more than a year, for the alleged stabbing of an Israeli civilian.

The bombing, which followed three failed suicide attacks by Hamas activists in the past month, came in the wake of a series of Israeli army operations in the occupied territories targeting Hamas members and other radical Palestinians opposed to the Israeli-PLO autonomy accord. There have been about three dozen arrests.

Seoul agrees to border talks

South Korea agreed yesterday to a proposal from the communist North for border talks today, breaking a months-long deadlock over Pyongyang's suspected nuclear weapons programme, Reuter reports from Seoul.

But a North Korean Foreign Ministry official accused the International Atomic Energy Agency (IAEA) of "wanton encroachment" on the North's sovereignty. The spokesman was quoted as saying a resolution passed by 72 IAEA member nations last Friday calling on Pyongyang to open up its suspect atomic sites for inspection was "an offspring of a political plot" aimed at impeding any negotiated solution.

Taiwan expects 6% growth rate

Taiwan's annual economic growth is expected to slow to an average 6 per cent in the five years up to 1997 as the island's export-led boom cools down, according to the government's Bureau of Statistics, Reuter reports from Taipei.

"Slower growth will be mainly due to curbs on government spending, which is expected to show zero growth in real terms, compared with an average 8.9 per cent in the previous five years," a bureau official said yesterday.

Gross national product expanded at an annual rate of 10 per cent in 1983-87 and 6.7 per cent in 1988-92. Between 1952 and 1990 it grew at an average of nearly 9 per cent.

INDIA OVERCOMES QUAKE AID SCRUPLES

MR P V Narasimha Rao, the Indian prime minister, yesterday said that India welcomed the foreign funds offered by various countries following Thursday's devastating earthquake in Maharashtra, Shiraz Sidhva reports from New Delhi.

Visiting the region, a visibly shaken Mr Rao pledged central government aid of Rs500m (£10.5m), saying money was "no constraint" to rehabilitate the victims of the disaster. The government's immediate priority, he added, was to rebuild the flattened villages at safer sites.

The Maharashtra state government is planning to ask for a Rs2bn loan from the World Bank for rebuilding houses. The bank will send a team of surveyors to assess the damage.

The government's initial reluctance to accept foreign aid was set aside when the scale of the disaster became apparent. Officials in New Delhi say the government hopes foreign donors will contribute those relief items the country could not itself provide, such as X-ray plates.

"We have been able to [fulfil] the immediate demand for food, blankets, and medicine, and we have thousands of medical volunteers and relief workers ready to help," said a member of the government's crisis management group in New Delhi yesterday. "But we have allowed supplies from foreign agencies because we realise the task is more daunting than we had earlier anticipated."

Offers of aid have been received from the United Nations, the west as well as from Iran and even Pakistan, which set aside the traditional enmity between the two countries. Millions of rupees are being collected in India.

Estimates of the death toll in the earthquake range from 10,000 to 30,000. In the quake-hit area, army rescue teams scrambled through endless piles of debris, continuing their search for the dead for the fifth consecutive day, their task made difficult by bad weather and onlookers who poured into the worst-affected areas.

Demonstrators with posters of murdered South African Communist party leader Chris Hani protesting around the Rand Supreme Court yesterday at the start of a trial of three people accused of his murder. Three white right-wingers, Clive Derby-Lewis, 57, a prominent member of the pro-apartheid Conservative party, his wife Gaye, 54, and Polish immigrant Janusz Waluz, 38, pleaded not guilty. Mr Nelson Mandela, African National Congress president, Mr Joe Slovo, Communist party national chairman, South African Foreign Minister Pik Botha and five other prominent people were on a hit list found on the accused, the prosecution said. Reuter

Two helicopters shot down

Up to 12 US troops die in Mogadishu battle

By Leslie Crawford in Nairobi

PENTAGON officials said yesterday that as many as a dozen US soldiers were killed in Mogadishu on Sunday night during a battle between United Nations troops and militias loyal to Gen Mohammed Farah Aideed, Somalia's rebel warlord.

One Malaysian UN peacekeeper was also killed in the fiercest confrontation since the UN military took command of Somalia in May.

The International Committee of the Red Cross counted 500 Somali wounded in Mogadishu's three hospitals. It gave no figures for the dead. Journalists in the Somali capital, however, said they saw truckloads of corpses being driven from streets around the Bakara market where the battle raged until dawn.

UN military officials said they had captured 24 of Gen Aideed's militiamen in a search operation east of the market. Earlier they said five US soldiers had died and a further six were believed to be missing after ground fire shot down two US helicopters.

Hostile Somali crowds dragged the corpses of two American soldiers through the streets of Mogadishu in a display of anti-US and anti-UN sentiment which is becoming more entrenched with the rising Somali death toll in the United Nations' war against Gen Aideed.

The high casualty rate among US troops is likely to harden the resolve of US congressmen to pull their troops out of Somalia.

Already, there have been two votes on Capitol Hill requesting President Bill Clinton to justify the continued US military presence in a country which does not appear to appreciate the international intervention. Mr Clinton has until October 15 to find a rationale that could turn the anti-interventionist tide in the US.

"If the US decides Somalia is a loser and pulls out its troops, then other countries which have sent troops to Somalia are unlikely to remain committed to the UN operation," Mr Terence Lyons, a policy director at the Brookings Institution in Washington, said yesterday. Even scaling down US military involvement would debilitate the UN mission, as American troops form the backbone of the operation.

"If the multinational peacekeeping experiment is judged to be a failure in Somalia, then other countries crying out for international action – Bosnia, Angola, Mozambique – will be ignored," Mr Lyons said.

The latest battle brought the number of UN peacekeepers killed to 63 since the 27,000-strong UN force arrived in Somalia in May. Hundreds of Somalis have been killed in the effort to trace Gen Aideed.

Singapore goes all out to turn its citizens into share owners

The 'stocks are good for you' policy is a significant change, **Kieran Cooke** reports

WHEN Singapore's leaders decide on a new policy, the state's considerable propaganda apparatus swings into action. Earlier this year Mr Goh Chok Tong, Singapore's prime minister, announced plans to turn the island republic into a share-owning society, saying: "The aim is literally to allow Singaporeans to own a piece of the economy".

Since Mr Goh's March speech, Singaporeans have been bombarded by state-sponsored television and newspaper advertisements describing the virtues of share ownership.

For Singapore, a carefully-controlled society where speculative business activity and risk-taking have been officially frowned on, the new "stocks are good for you" policy represents a significant change. The government has granted considerable incentives to those who put their money into the stock market.

Tight regulations on the use of funds from the Citizens Provident Fund (CPF), a compulsory national savings scheme, have been lifted. Singaporeans have been urged to use a greater portion of their CPF funds, once viewed as sacrosanct by the government, to invest in the market. From the beginning of this month more than S$20bn (£8.3bn) of additional CPF funds was made available to buy shares.

There are political reasons for the new approach. The People's Action party (PAP), in power since Singapore's independence in the mid-1960s, is concerned about a decline in its vote in recent general elections. The PAP wants to rebut criticism that Singapore is becoming a more inequitable society: one way is to widen share ownership and make people feel they have a financial stake in the economy.

But economic considerations are central to the new policy. In recent months official recognition has been increasing that the rapidly developing Singapore economy risks outgrowing its small home base.

Singapore is sitting on a mountain of savings. The island republic of less than 3m people has foreign exchange reserves of more than $40bn (£25.9bn). The CPF's total assets are now put at about S$50bn. The country's vast savings should be better used, say the policymakers, and directed into overseas investments.

Mr Lee Kuan Yew, Singapore's senior minister and still the main architect of many policies, said earlier this year that if the country failed to internationalise its economy and develop a "second wing", it would be quickly left behind by newly-industrialising countries such as South Korea, Taiwan and Hong Kong.

"We will be a failed story, one that nearly made it but stalled half-way," said Mr Lee. The hope is that Singapore's citizens will now invest their saving in listed companies, thereby providing the financial muscle for a push overseas by corporate Singapore.

Though Singaporean investors have traditionally been far less adventurous than their counterparts in Hong Kong, signs are that the official campaign, known as "Invest Singapore", is having results. Recent share flotations of a number of companies, some of them former state-run enterprises, have been oversubscribed several times.

The real test of the new policy will come this month as Singapore Telecom (ST), the state post and telecommunications service, goes on the market. ST is one of the world's most modern telecoms companies, with some of the lowest customer costs. ST's net income rose 9 per cent to S$1bn on sales of S$2.8bn in the year to March 1993.

The ST flotation, being billed as the largest public listing yet in South-East Asia, will take place in carefully-planned stages. The government has offered an array of incentives to local investors to take part in the flotation, including big discounts to those who buy ST shares on a long-term basis.

The launch is likely to set the pattern for future listings, which are planned to include the Singapore Mass Rapid Transit System, the port and the board of public utilities.

Urging the public to go on a share-buying spree could backfire on the government. ST and other companies have done very well in the protected home market. The central question now is whether these companies can compete overseas.

With few exceptions, Singapore companies have not distinguished themselves overseas. Analysts point out that many cash-rich companies have been very hesitant about competing abroad. Mr Lee himself has berated Singaporean business people for their stay-at-home attitude, their lack of entrepreneurial flair and their reluctance to take risks.

If corporate attitudes do not change, Singapore investors might be disappointed in their investments. In turn, people could become angry with a government which has so zealously preached the virtues of participation in the stock market.

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For more than 150 years we have been making timepieces for men and women who see beyond ordinary time. Einstein owned a watch made by us *fig. 1*, so did Tchaikovsky, Wagner, Marie Curie and Charlotte Brontë. Each of them – whether scientist, musician or writer – had the rare gift of being able to exploit time as a creative element in their work.

Today we are still recognized as the only watchmakers whose timepieces adequately convey a sense of outstanding personal achievement. We can rise to your greatest occasion with a total of 33 horological complications – far beyond the capabilities of any other watchmaker. Our Calibre 89, the most complicated portable timepiece ever built *fig. 2*, expresses the full scope of time: astronomical time – from a star chart geared to the apparent movement of the heavens, to the times of sunrise and sunset; seasonal time, sidereal time and the equation of time *fig. 3*; long time in the 400-year cycle of the Gregorian calendar; short time with a split-seconds chronograph; the sound of time in a Grand Strike, chiming the hours and quarters, in passing, on a Westminster carillon; spiritual time in the date of Easter; and time that escapes gravity in the tourbillon escapement.

If you find the Calibre 89 a little inconvenient for everyday use, our watchmakers have brought together the more essential complications in a number of wristwatches. You can be assured that each represents the finest watchmaking in the world.

You may find your most treasured possession in the handsome tonneau-shaped, perpetual-calendar watch *fig. 4*. The unique combination of a fly-back dates-hand showing the progression of the month, and a minute-repeater, is a refinement that took us about four years to develop.

You will appreciate that there are no half measures in complicated watchmaking. We are building precision timekeeping instruments that you will expect to perform faithfully for a century or more. In our self-winding, perpetual-calendar wristwatches *fig. 5*, our own design and superlative craftsmanship ensure that the calendar mechanism absorbs an infinitesimal amount of power as it smoothly changes the day, date and month, records the quarters of the day and the leap-year cycle. The moon-phase in our perpetual calendars is extremely precise, taking 122 years and 45 days to accumulate the hardly discernible variation of a single day.

Our perpetual-calendar and chronograph combination *fig. 6* finds particular favour among collectors who enjoy the finer points of mechanical watchmaking. Through the sapphire-crystal caseback, you can admire the exquisite hand-finish of our movements and bring into play the precisely coordinated actions of the column-wheel, levers and gears *fig. 7*.

Impeccable workmanship is taken for granted by those who wear our watches. But if you choose one of the half-dozen or so slim, self-winding, perpetual-calendar repeaters *fig. 8* that we complete each year, you can expect much more. We have encapsulated in our most sophisticated wristwatch the ancient and authentic sound of time. Celebrate a moment – any moment – by making the mechanism ring the hours, quarters and minutes with the pure, clear resonance that only we have been able to achieve in a minute-repeater.

Those who consider a watch is just a watch, so long as it tells the time, will be gratified to learn that in this elegant wristwatch *fig. 9*, time is told both by a minute-repeater and by an observatory-rated chronometer. In it moves the most ingenious compensation device known to horological engineering. The rotating tourbillon cage literally absolves the watch's regulator from the laws of gravity – removing one of the last obstacles to the final frontier of mechanical precision.

But if you seek that extra dimension to time, to mark your achievement, to inspire your creativity or simply to enjoy sublime watchmaking, you will almost certainly wear one of our timepieces one day. You will then come to recognize the touch of the world's finest watchmakers *fig. 10*, and know that the name on the dial can only be Patek Philippe.

fig. 1: Einstein's daily inspiration.

fig. 2: Time on a cosmic scale in the Calibre 89 – the most complicated portable timepiece.

fig. 3: In the Calibre 89, a symbol of the sun moves through the equinoxes and seasons against a revolving disc of stars.

fig. 4: Ref. 5013. Self-winding, minute-repeating wristwatch with perpetual calendar, moon-phase and a retrograde dates-hand, which flies back to the beginning of the month after reaching the 28th, 29th, 30th or 31st day. In Patek Philippe wristwatches, the buckle and the hidden pins that secure the strap are of gold.

fig. 5: Ref. 3940. The finish on the case and the bracelet reflects the perfect functioning of Patek Philippe's ultra-thin (3.75 mm), self-winding, perpetual-calendar wristwatch with moonphase.

fig. 6: Ref. 3970. The perpetual-calendar chronograph...

fig. 7: ...displaying the poetry of traditional hand-finishing.

fig. 8: Ref. 3974. The confidence of a smoothly functioning perpetual calendar, and the pleasure of hearing the time, combined in one of Patek Philippe's most sophisticated wristwatches.

fig. 9: Ref. 3939. A minute-repeater which is also a rated chronometer. A tourbillon device cancels out the effects of gravity.

fig. 10: Ref. 3919. The gentleman's classic wristwatch. One of the many introductions to Patek Philippe's dimensions of time.

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Japan hits at targets for US car parts

By Michiyo Nakamoto in Tokyo

MR Yutaka Kume, chairman of the Japan Automobile Manufacturers' Association, yesterday criticised the US for trying to correct the trade imbalance between the two countries by setting targets for purchases of US vehicle parts by Japanese carmakers.

"The US is trying to seek a solution to a macro-economic problem at the micro-economic level," he told a group of foreign correspondents in Tokyo. By doing so, it was delving into business matters in a way that condoned managed trade, could impede business activity and could be detrimental to consumers' interests, he said.

His comments follow talks last month between the US and Japan involving US vehicle parts purchases by Japanese companies in a new framework of trade talks agreed between the two countries this summer. A second meeting is planned for this month.

The US side, Mr Kume said, appeared to be asking for purchasing targets in 1995 and 1996 but "targets should be set by the seller". Japanese car companies would be glad to purchase US-made vehicle parts as long as the quality and prices were right but it was up to the seller to make the effort.

Mr Kume also cast doubt on US claims that the Japanese market was closed to foreign cars, saying European car makers were doing very well in Japan.

The problem was rather that the Big Three US carmakers – General Motors, Ford and Chrysler – did not make cars that were suited to the Japanese market. For example, about 80 per cent of cars sold in Japan had an engine displacement of less than 2,000cc but no US carmaker had introduced a car with engine displacement of less than 2,000cc into Japan.

Mr Kume pointed out that Japanese carmakers had offered to open their dealers to US cars but had received no proposals from the US side on that offer. "We can only conclude that that must be because they have no cars to sell in the Japanese market," he said.

Better marketing efforts were also needed, as shown by a survey conducted last year by the Japanese Consumer Research Institute which showed that 89 per cent of respondents either "do not want to purchase" or "do not want to purchase at all" cars made by the Big Three. This compared with 54 per cent which responded negatively to European cars.

Construction equipment due for a dig-out

Japan's local suppliers look to recovery but imports remain uncertain, writes Andrew Baxter

HARD times at home could soon be over for Japan's construction equipment producers, but foreign suppliers seeking success in one of the world's most difficult markets may still find themselves up against a brick wall.

The phenomenal post-war growth of the Japanese construction equipment industry has given rise to some of the sector's most powerful companies worldwide – Komatsu, for example, is second only to Caterpillar of the US.

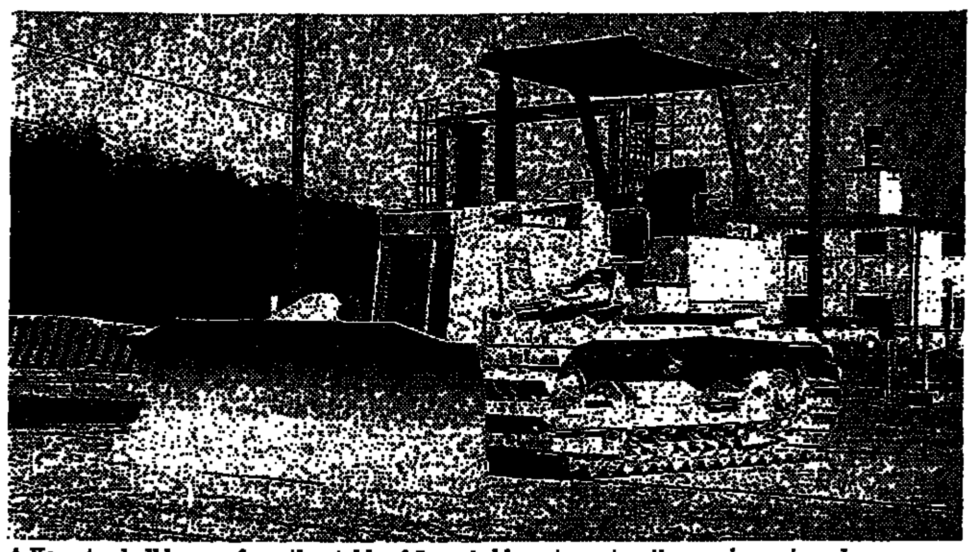
In the process, Japan has fostered a more concentrated domestic market than that of North America or Europe. With fewer suppliers in each product area, producers have had a field day at home, and foreign companies have found it hard to break in.

These are some of the findings of a new study of the Japanese market by the London-based Corporate Intelligence Group, working with its Tokyo representative Rayden Research.

The 326-page report* claims to be the first to reveal the market and producers in such detail. "It has always been assumed in the past to be a closed world which could not be revealed," it says.

It comes at a turning point in the fortunes of the Japanese market and its players. The bursting of the "bubble economy" and the end of the construction boom depressed sales of construction equipment from 169,215 units in 1990 to 128,064 last year, says the study. It sees a further slight decline this year before sales pick up steadily in 1994 and 1995, then reach nearly 150,000 units a year in 1996 and 1997.

The need to improve infrastructure is likely to result in a big programme of civil engineering, with beneficial effects for the equipment suppliers from 1995 onwards, according to the report.



A Komatsu bulldozer – from the stable of Japan's biggest construction equipment producer

Whether foreign suppliers can benefit from the forecast recovery of the Japanese market is debatable, however. Overall, imports currently account for only about 2-3 per cent of the market, says Mr Chris Barrow-Williams, author of the study.

"[Foreign companies] could make more profits out of selling in Japan, and could price the products competitively," he says. "But they have to replicate the established infrastructure to make the products attractive."

There are more than 790,000 units of construction equipment in Japan – an enormous figure, says the study, which reflects a need to use machinery as a substitute for labour at every turn. This requires large service networks.

One strategy for importers is to offer a product that the Japanese do not make. This can be hard – Mr Barrow-Williams says some imported products are totally different to Japanese machines, and are difficult for local customers to accept.

The study chronicles some of the successes and failures of foreign equipment suppliers. Caterpillar is by far the biggest and benefits hugely from selling its products through Shin Caterpillar Mitsubishi, jointly owned with Mitsubishi Heavy Industries. SCM sells both Caterpillar and Mitsubishi products through a unified distribution network with 200 sales points nationwide.

Through SCM, Caterpillar is market leader in articulated dumptrucks, which are not made in Japan but became popular in the construction boom partly for their usefulness in golf course construction.

Sales surged from 26 units in 1988 to 165 in 1990, but dropped back to 100 last year. Its main competitor is Brussels-based VME, whose Volvo BM machines are sold by a unit of Marubeni, the big Japanese trading house.

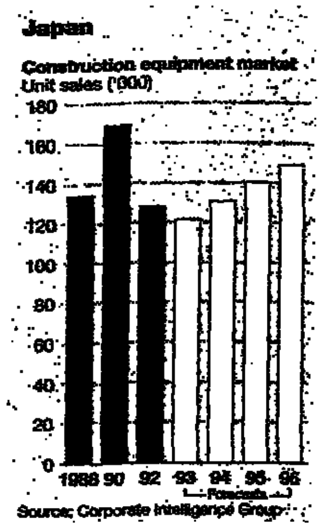
The third player, Komatsu, sources its articulated dumptrucks from Norway, so all three rival ranges are marketed through strong organisations. According to the study, this illustrates that "if imported machines and ideas are to make their way in Japan they definitely need high-powered back-up".

No amount of back-up, however, seems likely to retrieve things for importers of backhoe loaders, one of the leading products in the European market.

In the 1960s Japan used to import 600-700 units a year, but since then sales have plummeted in favour of Japanese-built mini-excavators – much more suitable for roadworks in Japan's narrow streets. According to the study, just 18 backhoe loaders were sold in Japan last year – 15 by Hitachi which imports machines from John Deere in the US, and three by JCB.

Perhaps the most intriguing thing for importers is the market for "all-terrain cranes". Developed in Europe to enable fast travel between sites and better handling on-site, these are an alien concept in the Japanese market, although Kato, Tadano and Sumitomo make them mainly for export.

The biggest European supplier, Liebherr, has its own small sales operation in Japan. "It has a product which is different, which will bring out the classic reactions – curiosity and then worry about not supporting Japanese companies, not having enough service back-up and so on," comments the study.



The German company will face a big challenge if Tadano broadens its range of all-terrain cranes and enters the local market, it says. On the other hand, by endorsing the concept, Tadano could make Liebherr's job easier.

**Corporate Intelligence Group, 51 Doughty Street, London WC1N 2LS. Tel (71) 696 9006.*

Chemicals sector at risk

By Paul Abrahams

EUROPE'S chemical industry risks following the dinosaur into extinction, the chairman of Imperial Chemical Industries, Britain's largest chemicals group, warned yesterday. Sir Denys Henderson told the Society of Chemical Industry in Rome that the sector had to take more account of changes in the economic environment and adapt more quickly. Recent half-year results had been dismal.

"Very little has happened to persuade me we are making significant progress to solve the serious problems of over-capacity, falling prices and miserable margins that afflict our industry," he said.

Mergers like that between Renault and Volvo were imaginative, but massive businesses were not always the answer, said Sir Denys. He suggested possible routes for European companies included alliances with chemicals groups elsewhere or with the oil sector.

Alternatives might involve partnerships, though with smaller equity stakes than previously acceptable to the chemicals industry. Such partnerships were common in the mining sector, an area where Sir Denys had gained expertise as a non-executive director of RTZ, the world's largest mining group.

Alenia in space project

By Robert Graham in Rome and Daniel Green in London

THE European Space Agency (ESA) signed a Ecu446m (£340m) contract yesterday with Alenia, Italy's state-controlled aerospace group, to head a group of companies to build a telecommunications satellite to be called Artemis.

The Italian government is covering 40 per cent of the costs of the project which will produce a new generation of satellites to handle telecommunications traffic, especially cellular telephones. In return, Italian companies have been apportioned 48 per cent of the work.

It will be Alenia's first non-Italian prime contractorship, placing it at the head of a group of Europe's best known aerospace companies including Aérospatiale and Alcatel Espace of France, Fokker of the Netherlands, Matra-Marconi, the Anglo-French joint venture, and Casa of Spain.

One of the reasons Alenia won the contract is that Italy was "owed" some business to balance its Ecu500m contribution to the ESA budget. Italy is the third biggest contributor to the agency's Ecu2.9bn budget.

The launch of Artemis is due in 1996 on a new generation of Ariane rockets.

C$130m aircraft deal

By Robert Gibbens in Montreal

BOMBARDIER'S Short Brothers subsidiary in Belfast will supply 20 Sherpa C-23 aircraft worth C$130m (£64m) to the American armed forces, for delivery over the next three years. The US has taken options on 10 more.

● Bombardier has won a US$127m (£82.4m) order for six 50-passenger Regional Jets from Lauda Air of Austria for use with Lufthansa from a new Vienna hub.

● Hughes Airport Systems of California has been given a $80m contract by the Trinidad and Tobago Airports Authority to expand and improve the country's main international airport, Canute James writes from Kingston.

The work, the first part of a 25-year project, will cover the construction of a new passenger terminal and new air cargo facilities, with supporting infrastructure. The improvements will also include a higher level of aircraft maintenance services, and more efficient piping of aviation fuel.

The expansion of the Piarco airport is intended by the government of the Caribbean republic to make it a hub for air traffic between South America and North America and Europe.

NEWS: UK

Tory dissidents warned not to undermine party unity

By Kevin Brown, Political Correspondent, in Blackpool

THE Conservative leadership yesterday warned dissident MPs not to undermine attempts to rebuild support for Mr John Major, the prime minister, at this week's party conference.

Sir Basil Feldman, chairman of the Conservative National Union – which organises the conference – said grass roots Conservatives were "fed up" with disunity in the parliamentary party. "We do not expect the party to turn around like switching on a light, but the party is fed up with disloyalty and negative messages from the malcontent minority."

Sir Norman Fowler, Conservative party chairman, said members wanted to "draw a line" under the disagreements of the past 12 months and "get behind John Major".

Leading dissident MPs appeared unwilling to challenge the demand for unity, which was supported over the weekend by Lady Thatcher, former prime minister.

Mrs Teresa Gorman, an arch-critic of Mr Major, said she wanted the prime minister to change course, but it would be "completely inappropriate" to change the leader at the moment. Her comments reflected a widespread view among critics of Mr Major that none of the potential challengers to his leadership could hope to win this year.

However, the continuing nervousness among party leaders was illustrated by the unusually vigorous vetting of potential speakers in an attempt to head off criticism from the floor of conference.

However, a number of ministers have expressed fears that the tactic could backfire by increasing the anger of the government's critics and provoking public demonstrations during debates. They have told their advisers to ensure a reasonable balance in the choice of speakers.

The conference organisers are also trying to ensure that the prime minister's critics on the Tory back benches at Westminster – the so-called "barmies" – are denied a voice by preventing all MPs from speaking in the main debates. All of the constituency party motions chosen by the organisers are supportive of the government's policies.

The most likely flashpoint is the government's proposals to impose value added tax on heating fuel, which attracted 25 critical resolutions from constituency parties. None of those resolutions will be debated and the issue has been excluded from a ballot of constituency representatives on a motion for debate on Friday.

The leadership hopes that VAT will be overshadowed by extended debates on the European Community, the economy and the announcement of a tougher approach to law and order.

However, Mr Major conceded on his arrival in Blackpool that even a successful conference would be only a first step towards a recovery in the government's popularity. "We have a great deal of work to do so we can persuade the people of the country of the plans we have to make things better," he said.

Amerada Hess blames job cuts on new oil tax

By Robert Corzine

AMERADA HESS, the US oil company whose North Sea operations have expanded rapidly in recent years, is to cut about 10 per cent of its 1,000 strong UK workforce today. The cuts are thought to be confined to onshore workers, and are not expected to affect employees on production rigs.

The company has blamed the lay-offs on changes to the Petroleum Revenue Tax, introduced by the government in the last Budget. Other factors cited by the company include low oil prices and the fact that the North Sea is an increasingly mature oil area in which the prospect of additional large-scale discoveries is becoming more remote.

The cutback marks an effective end to Amerada's aggressive expansion of its British operations in recent years. It spent more than $800m developing the Scott field, brought onstream recently.

Amerada has made no secret of its opposition to the tax regime changes proposed by Mr Norman Lamont, former chancellor, in his Budget speech last March.

Its biggest concern, shared by some smaller oil companies operating in the North Sea, was that exploration costs could no longer be offset against PRT.

The company has repeatedly warned in recent months that it would have to re-assess its exploration programme in the UK. It said the PRT reforms reduced the incentives for companies to seek the smaller oil reserves which are likely to characterise UK offshore oil exploration in coming years.

Five more financial centres apply to join network

European regional city group to expand

By Ian Hamilton Fazey, Northern Correspondent

THE EUROPEAN network of regional financial centres is to be expanded, the chairman of the organisation announced yesterday on a visit to Leeds, northern England.

Mr Franco Cellino, who is also president of the Turin Stock Exchange, said Bordeaux, Hannover, Antwerp Bari, and Leeds were negotiating to join the Association of European Regional Financial Centres.

The aim of the association is to build better relationships between the cities involved and the European Commission – and possibly to set up new sources of growth capital for local companies.

Barcelona, Bilbao, Edinburgh, Lyons, Manchester, Oporto, Stuttgart and Turin are already members of the association.

Leeds is applying for membership through its financial services initiative, which Mr Cellino helped launch yesterday. Wider representation is expected to strengthen the association's hand in with the Commission in Brussels.

Mr Cellino said a working group was looking at how regional centres might help create new sources of growth capital for small and medium-sized businesses throughout Europe. The group was set up after talks with the EC and the European Business Network.

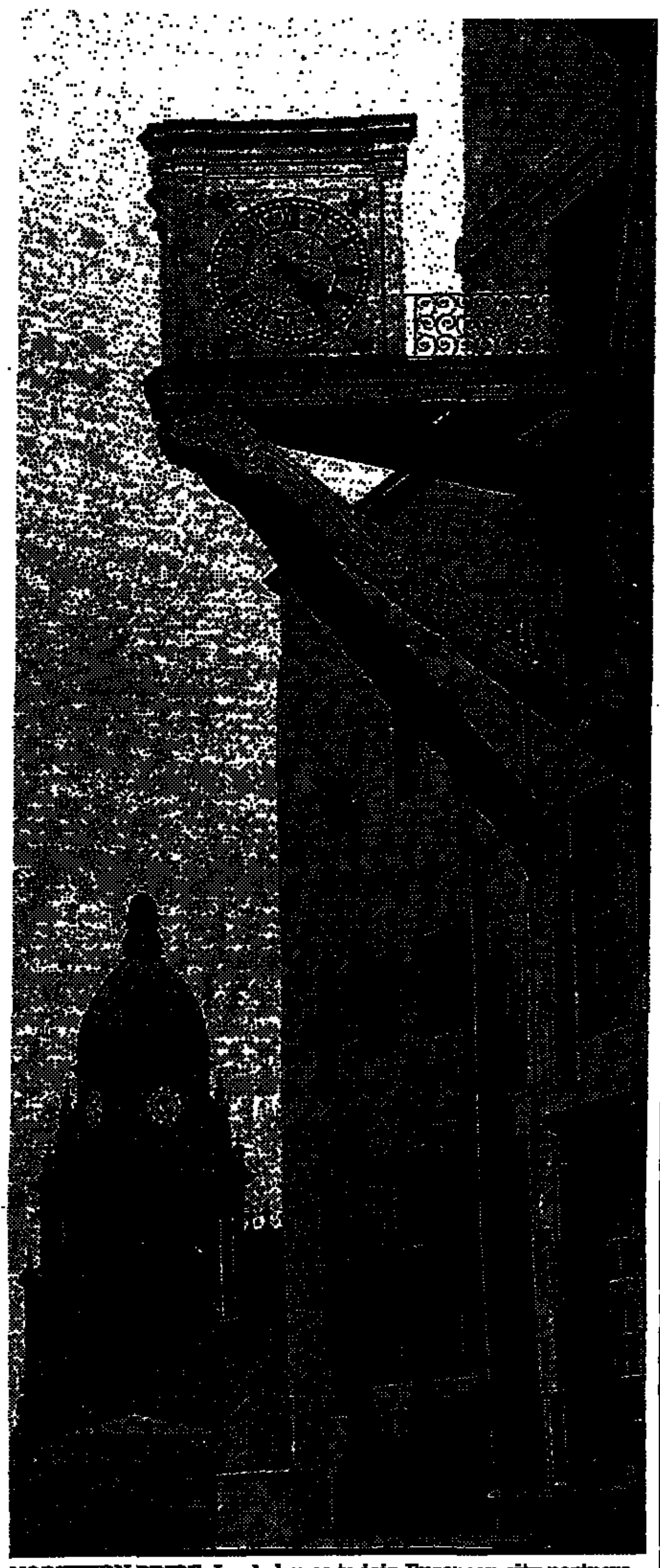
Regional financial centres are the principal sources of professional services – such as banking, corporate law, accountancy, and consultancy – for small and medium-sized businesses in their areas.

There has been a concentration of professional firms and services in such centres throughout Europe during the 1980s as national financial centres such as London, Paris, Frankfurt and Milan looked increasingly to international markets and big corporate clients.

Mr Cellino said the association would encourage better professional services for small and medium-sized enterprises, which comprise more than 90 per cent of businesses in the EC.

That would help to ensure that the single market did not work against them as national professional services became concentrated and centralised and geared to large and multinational companies.

He also believed regional centres should increasingly promote an "economy of networking", so helping cross-border transfer of capital and expertise across Europe.



NORTHERN PRIDE: Leeds hopes to join European city partners

Lending figures boost confidence

By Emma Tucker, Economics Staff

NEW FIGURES on consumer lending and the money supply yesterday helped to dispel fears that the UK recovery is losing momentum.

The highest net consumer borrowing for any month since July 1991 and the fastest growth in the narrow measure of money supply for more than three years indicated that the pick-up in activity since the middle of 1992 is progressing steadily.

Consumers borrowed a net £225m in August compared with £204m in July. A strong rise in loans from finance houses – in particular for cars – fuelled the increase.

The official figures from the Central Statistical Office indicated that consumers are slowly regaining the confidence to take on debt. They borrowed a net £298m from finance houses – mainly car loans and hire purchase agreements – and a net £16m on unsecured loans from building societies. On bank credit cards, however, they repaid £89m more than they borrowed.

Other figures from the Bank of England reinforced the message of the credit statistics. Narrow money – mainly notes and coins in circulation – rose a seasonally adjusted 5.4 per cent in the year to September, the highest rate of growth since the summer of 1990.

The robustness of M0 coincides with strengthening retail spending. The annual rate of growth of the narrow money supply has been above the government's target range of between 0 per cent and 4 per cent for virtually every month since February.

But in contrast to the promising economic figures, the Building Employers Federation forecast more gloom for the construction industry. It said the recession in this sector was set to continue, that more jobs would be lost and that sustained recovery was not expected until 1995.

The federation's autumn state of trade inquiry, based on a poll of 600 companies, found that only one third were confident of an increase in output over the next 12 months, with the rest predicting a decline or at best no change.

Inflation target of 1% to 2½% urged

AN UNDERLYING inflation rate of 1 per cent to 2½ per cent should be regarded as the "true target" of Britain's counter-inflation policy, rather than the 1 per cent to 4 per cent target range announced last year, Mr Rupert Pennant-Rea, Bank of England deputy governor, said last night, writes Peter Norman.

Addressing the Cardiff Business Club, Mr Pennant-Rea, who moved from being editor of the Economist to the deputy governor's post at the beginning of July, said it was only through progressive reductions in the inflation rate that people would believe that a surge was not in prospect.

Mr Pennant-Rea is known to support a more independent Bank of England and his speech was notable for the way he unilaterally clarified a target set by government.

In a passage that may cause some irritation among Conservative leaders at their annual conference in Blackpool this week, he also gave a brutally frank assessment of how high inflation had caused the recent recession.

"The fundamental cause of the recession we suffered in 1990-92 was not recession elsewhere in the world, or membership of the exchange rate mechanism, or any other diagnosis that relies on coincidence of timing," he said.

"We had recession in 1990-1992 because we had rising inflation in 1989-90; and we had rising inflation in 1989-90 because we had allowed demand to grow too rapidly in 1987-89."

A year ago, Mr Norman Lamont, as chancellor, announced that the government intended to keep underlying inflation – defined by the retail prices index, excluding mortgage interest payments – within a 1 per cent to 4 per cent range "for the remainder of this parliament".

Shorts wins $100m US order

By Our Belfast Correspondent

SHORT BROTHERS, the Belfast aircraft and missiles manufacturer, has won a $100m order to supply 20 C-23 Sherpa military transport aircraft to the US National Guard.

The contract includes an option for a further 10 aircraft worth about $44m. The three-year programme will involve converting FD360 commuter aircraft into C-23B-plus Sherpa military aircraft.

Their primary role will be transporting army aviation spares and components between National Guard bases but the aircraft can also be used for transporting passengers, paratrooping, freight and air-dropping roles.

Shorts, part of the Canadian transportation group, Bombardier, will be responsible for managing the programme. They will also undertake all engineering design, planning, procurement and the manufacture in Belfast of sheet metal and machined components. Conversion of the aircraft will be carried out at the West Virginia Air Center at Bridge Port, West Virginia.

Shorts yesterday also welcomed the announcement by Lauda Air of Austria and Air Littoral of France for up to 14 Canadair regional jets for which they supply the fuselage and engine housings.

● The Ministry of Defence has told local MPs it will not order aircraft specially so as to avert redundancies at British Aerospace's Jetstream subsidiary at Prestwick in Scotland.

The Jetstream plant, which makes turbo-prop regional airliners, is expected to announce redundancies in the next few weeks.

Dublin responds to IRA stance on peace plan

By Tim Coone in Dublin

THE IRISH GOVERNMENT yesterday described as "potentially significant" the unprecedented statement by the Irish Republican Army (IRA) supporting the peace initiative launched ten days ago by Mr John Hume, the leader of the SDLP and Mr Gerry Adams, the leader of Sinn Fein.

Details of the initiative are still private, but they are expected to be discussed with Mr Albert Reynolds, the Taoiseach (prime minister) and Mr Dick Spring, the foreign minister, in Dublin tomorrow when Mr Hume arrives following a nine-day visit to the United States where he met Congressional leaders and advisers to President Bill Clinton.

An Irish government spokesman said yesterday: "The Taoiseach is keeping an open mind. He is looking forward to hearing what progress has been made and if they can advance the progress to peace, then there will be a positive reaction to the initiative".

The Irish government has maintained that it has not yet received any details of the Hume-Adams initiative, although a senior foreign ministry official is reported to have met with Mr Hume a few days before the joint Hume-Adams announcement.

Mr Hume's party is a mainly Roman Catholic organisation based in Ulster. Sinn Fein is the political wing of the IRA.

The British government is believed to have been informed in advance of the initiative, when Mr Hume met with Mr John Major on September 16th. As a result the hard-line Democratic Unionist Party (DUP) in Ulster has angrily ruled out any further participation in the round-table talks process for the province.

It has also emerged that Mr Spring and Mr Douglas Hurd, the British foreign secretary, met in New York last week. Mr Spring had been in New York to address the General Assembly of the United Nations.

In his speech he referred at length to Irish government policy on Northern Ireland saying: "The pieces of the jigsaw are all to hand if only we can find the right way to fit them together..."

He went on: "It is painfully obvious that all traditional approaches have failed and that new thinking is urgently required... we are ready to accept the need for radical and innovative compromise as part of a new accommodation which will bring lasting peace and reconciliation to the island of Ireland.

"Peace is now the imperative; and the continuation of violence is the single greatest obstacle to the realisation of our hopes. An end to violence would open up new possibilities and... would, at least, help to clear the way for compromise and negotiation".

Meanwhile the IRA set off five more bombs in north London yesterday morning – causing no injuries and only minor damage. The organisation confirmed that it planted three bombs in north London on Saturday which injured five passers-by.

The way to an MP's mind is through his mailbag

Old ways still work in the booming lobby industry, says David Owen

THE ART of political lobbying in Britain has developed strongly in recent years. For one thing, there is much more of it: one opposition Labour MP recently put annual growth in the specialist lobbying sector at between 20 per cent and 25 per cent; lobbying techniques are also increasingly sophisticated.

But one of the best ways to get results - especially when the government has an inadequate majority - is still through the age-old device of filling the mailbags of Members of Parliament.

By this yardstick, the most successful campaign of the last parliamentary session was masterminded, a little improbably, by the National Federation of Sub-Postmasters.

Sub-Post Offices provide a vital service in many villages and small towns in Britain: acting as small supermarkets, social centres, libraries, newsagents and off-licences. But their fundamental function is dispensing pensions, savings, and cashing unemployment benefit, in communities which often have no bank.

The NFSP's aim was to derail government plans to save money by getting people to have pensions and benefits paid direct into a bank or building society instead of collecting them at their post office.

Mr Colin Baker, the NFSP general secretary, said the subpostmasters had "a number of offers" from specialist lobbyists but "declined them all."

The event that persuaded the NFSP a campaign was necessary was the government's circulation to new pensioners in early March of three batches of trial forms inviting them to decide how they wanted to be paid. One variant did not mention post office payment as an option.

After letters to ministers had failed to elicit a satisfactory explanation, the NFSP took matters into its own hands by looking to publicise the position on local radio and drafting leaflets to be distributed to all 23,000 post office branches.

A total of 6m leaflets went out, under the heading "Beware! Your post office is under threat", urging customers to write to their MPs. It was left to individual sub-postmasters to decide whether to hand them out inside branches or have them delivered with the morning post.

The approach was simple but the effect was the talk of Westminster for some weeks. Suddenly, it was not unusual to hear MPs, huddled in corridors and bars as they wearily awaited the next Maastricht vote, comparing the size of their post office mailbags.

Mr Baker suspects that the form of the letters was important as well as the numbers in which they came. "They were not organised petitions or stereotyped letters," he says. "We did not put words in people's mouths."

Even in the days of three-figure majorities, the government would have been hard-pressed to ignore such a groundswell, which was soon being exploited gleefully by Labour.

Mr Peter Lilley, social security secretary, promised swiftly that the redesigned forms to be sent to those approaching pension age would "mention the Post Office option."

The torrent of letters may even have influenced the government's decision to delay privatising the Post Office by excluding the necessary legislation from its outline programme for the next parliamentary session.

Perhaps more importantly for the post office's long-term wellbeing, the government has begun to examine how new technology might be used to improve the efficiency of paying benefit through post offices. Mr Baker believes this could be the key to keeping everyone happy, providing improved efficiency while helping to ensure that the post office network is preserved.

Professor Stephen Hawking, the Cambridge University cosmologist, "talks" to Neil Wallace at the opening of a Science Museum exhibition in London on improving communication for people with disabilities. Prof Hawking, who has motor neurone disease, communicates via a computerised speech synthesiser with a special keyboard operated by two fingers of his left hand. Ten-year-old Neil, who suffers from cerebral palsy, is using an alternative system, the US-made Liberator

Britain in brief

Milk body to give away dairy shares

The Milk Marketing Board announced its plans for the structure of the new free market in milk when the compulsory purchasing scheme is wound up next April and replaced by Milk Marque, a producer-owned co-operative.

A controversial giveaway of the bulk of shares in Dairy Crest, the MMB's dairy products subsidiary in which a minority stake is due to be floated on the stock exchange next February or March, was confirmed.

The MMB's plan to distribute the shares to current dairy farmers only is expected to trigger legal action from former producers if the scheme is approved by the government.

The MMB said Milk Marque would be established with a net asset value of £50m. This will comprise £27m in working capital and £23m for assets including the MMB's Genus animal breeding service, its milk testing laboratories, its five regional offices and 23 of the 40 milk collection depots owned by Dairy Crest.

Dairy Crest is to sell the depots to the MMB around the end of this month. The depots would be transferred to Milk Marque which will lease them to independent milk hauliers.

Miners may take RJB offer

The miners who operate the Monktonhall colliery in Scotland are likely to be told by advisers that the only hope of saving their jobs is to accept the takeover of their consortium by RJB Mining, the quoted mining company.

The 187 miners who have each invested £10,000 in Monktonhall Mineworkers will be offered £1,000 for their shares. Those who lose their jobs will be offered an extra £3,000.

RJB is understood to have signed a memorandum of intent to buy Monktonhall Mineworkers, which leases the pit from British Coal. The deal would involve a settlement by the consortium with its creditors who are owed £3m.

MBOs plunge to new low

Management buy-out activity plunged to a seven-year low in the third quarter of 1993 with just seven large deals being completed. This compared with 14 deals in the second quarter of this year and 15 in the same 1992 quarter, according to KPMG Peat Marwick, the accountancy firm.

Buy-out activity was also depressed in terms of the value of deals done, falling to £360m from £740m in the preceding quarter and £430m in the same 1992 quarter. These figures included deals valued at £10m or more.

Ford faces big pay claim

Unions representing 7,000 clerical staff at Ford motor company submitted a claim for a substantial salary increase and a company commitment to job security with no compulsory redundancies. Mr Jim Thomas, chief staff negotiator from MSF, the technical union, said that while his members were "fully aware of the state of the motor industry", they could not be "expected to bear the burden of a poor economy".

Soros in new land deal

British Land, the commercial property company, said it was buying a large retail and office complex in the Midlands. The acquisition, valued at up to £32m, is the latest in a series by the company following the launch in June of a property partnership with Quantum Fund, the investment vehicle owned by Mr George Soros, the financier.

BT to close operator units

BT announced it was shutting down 10 of its 29 operator assistance centres over the next two and a half years with the loss of 1,187 jobs as a result of falling customer demand. The company said some of the proposed cuts were included in the reduction of 30,000 staff planned over the two financial years ending in March 1995 announced last year.

Thorp prompts public response

More than 40,000 letters on the controversial Thorp nuclear reprocessing plant in Cumbria had arrived at the Department of the Environment by last night, the closing date of the second public consultation on the plant's future.

The latest consultation focuses on the economic case for the Sellafield plant, and on wider questions of the proliferation of plutonium and nuclear weapons capability.

Thorp, which has taken £2.8bn and nearly 10 years to build, is waiting for a licence to start operation. It is designed to take used fuel from nuclear reactors in the UK and overseas, and separate out the reusable uranium and plutonium.

Through the back door

Two brothers were today fined nearly £100,000 for their part in a £1m grain racket. Belfast Crown Court heard them admit charges of conspiracy to defraud and unlawfully exporting nearly 400 tonnes of wheat to the Irish Republic. The court heard the grain was smuggled through a purpose-built shed straddling the Ulster border at Jonesborough which had one door open to the north and another open to the south.

No end to MiniDisc madness

Sony has launched a series of MiniDisc products which take miniaturisation one stage further with a 50 per cent reduction in the size and number of components used.

The latest MiniDisc offerings, which follow a first-generation range launched last year, include a portable MiniDisc player/recorder that is about half the size and weighs 45 per cent less than its predecessor.

The reduction in size and weight was made possible by using smaller and fewer integrated circuits for digital signal processing and by the miniaturisation of other components.

At the same time, Sony has been able to increase the density of its chip boards and thus reduce their size by some 40 per cent. The latest range uses lithium ion batteries which have the advantage over the nickel cadmium batteries used before of offering greater reliability and longer play-back time – two and a half hours, or seven and a half when they are used in conjunction with alkaline batteries.

Less than a year since its launch, MiniDisc is selling roughly twice as fast as CDs did at a comparable stage after their introduction, Sony says. In the 10 months between the launch in November last year and this August, 300,000 MiniDisc units have been shipped worldwide.

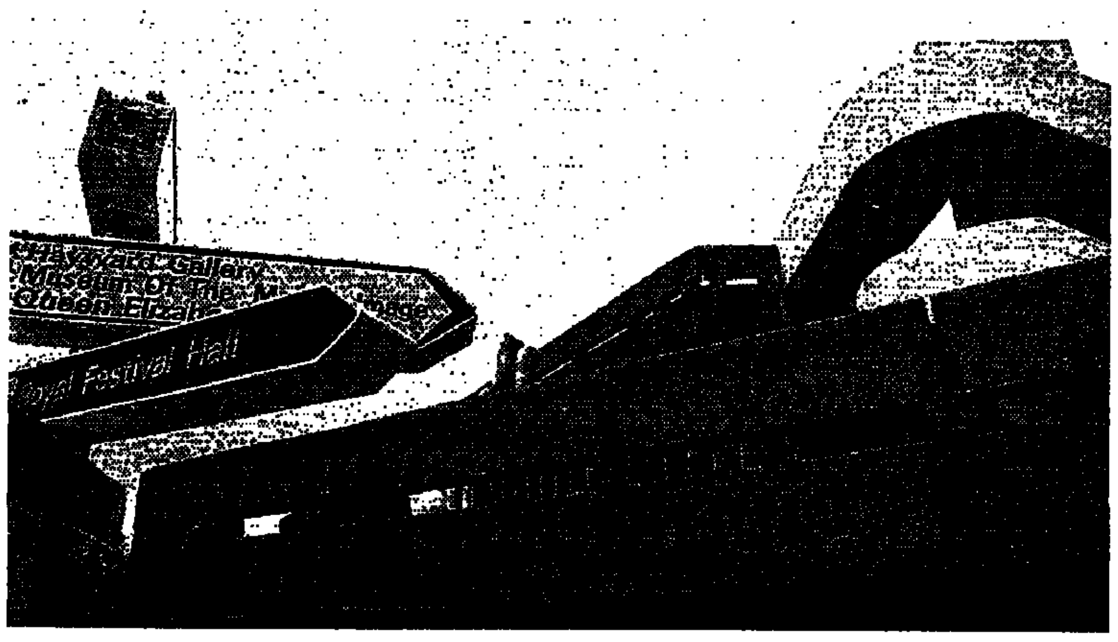
Sony's shipment figures also appear to disprove the argument that the lack of compatibility with existing systems would discourage consumers, particularly in Europe, from buying MiniDisc players which do not play any existing medium. However, Sony's shipments to Europe, at roughly a third of the 300,000 total, have been comparable to shipments in Japan and the US.

Whether MiniDisc takes off or not will depend, however, largely on the availability of recorded discs and on a substantial reduction in price.

Sony says 1,200 titles are already available, but this is far behind the 17,600 CD titles launched last year in Japan alone.

As for price, the Y55,000 (£340) cost of a playback unit –and Y75,000 for a recodable player – seem slightly extravagant in today's penny-pinching environment.

Michiyo Nakamoto



Colin Beere

With its specially tailored systems, the South Bank centre hopes to get closer to its public and identify marketing opportunities

Computers take centre stage

London's South Bank arts complex has high hopes for its latest information system, writes **Sarah Underwood**

As a new season opens at London's South Bank Arts Centre, the usual bustle of activity behind the scenes is extending beyond the rehearsal rooms and into the computer department. Its task is to provide easy access to all kinds of information, from an artist's taste in mineral water (still or fizzy) to the current balance of the centre's £20m budget.

The centre, which is Britain's largest arts complex, comprising the Royal Festival Hall, two smaller halls and an art gallery, is no newcomer to information technology. Now, however, it is making an important transition from "systems management" to "information management". This means that instead of simply managing an IT department it is now exploiting a valuable resource.

As Arts Council grants fail to keep step with rising costs, the centre needs tighter controls if it is to maintain its artistic budgets. In order to streamline the planning of events, it is moving towards full implementation of its US-developed Concentrics electronic diary software to cover everything from space allocation to the timely supply of fireworks for a performance of Tchaikovsky's *1812 Overture*. At present, the electronic diary is used for scheduling events.

On the other hand, it plans to improve customer service and identify marketing opportunities, while reducing its advertising budget. This involves the introduction of systems specially tailored for its use.

Thus the key to the centre's commercial development is the Box Office Computer System (BOCS) supplied by Space-Time Systems of the UK. Some 20 per cent of visitors buy 80 per cent of the tickets sold every year (more than 1m), but the centre has not been able to identify its patrons. Thus its direct mailing efforts constitute an ineffective, scattergun approach to marketing.

By making individual contact with potential ticket purchasers, the centre hopes to slash its spending on press advertising. It will then use press ads only to attract new audiences. The centre's marketing database, the BOCS Marketing System, and applications – run on Digital Equipment Vax computers – are linked to the box office.

Details of individual customers, such as their name and address and the performance for which tickets are sold, are recorded at the box office and then moved to the marketing system. This continuously updates customer records, noting interests, frequency of visits, take-up of special offers and so on. This information is used by the marketing staff to prepare direct mailing lists and develop promotional programmes to meet existing customers' interests and generate new business.

BOCS is also linked to the centre's accounting system. This, too, is being overhauled to provide tighter management control. A registered charity with an annual budget of £20m, the South Bank must end the year showing neither a profit nor a loss – a feat Alan Wilks, deputy finance director, likens to parachuting out of an aircraft and landing on a pinhead. In past years, failure to arrive at zero has meant a cut in funding.

An accounting system installed last month and due to be up and running in the next financial year is designed to solve the problem. "Our existing software was slow and inflexible, so people didn't use it," says Wilks. "It also ran on different hardware from BOCS, making communication difficult."

After an extensive software evaluation, the centre selected CFACS from Cedardata of the UK on the grounds of cost and functionality. Among key requirements were the ability to answer inquiries, to monitor the impact of new accounting entries, to set up authorisation levels for order and invoice approvals, and to help with forward planning.

Ease of use was also a requirement as the centre plans to open access to the accounting system to non-financial departments, giving them responsibility for their own budgeting and report writing.

The Cedardata software, which will run alongside BOCS, was designed specifically for the centre, and keeps track of departmental budgets. Artist bookings, for example, can be accounted for when they are made rather than after a production when an invoice is received. Budget planning will be improved by capturing information on bookings as far ahead as three years. Ultimately, the accounting and BOCS systems and Concentrics will be integrated, providing estimates of income from accurate forecasts of ticket sales.

The need to improve management and cost control is also driving development of the Concentrics electronic diary and scheduling system, which streamlines the production process from the moment an event is booked until the curtain comes down and the bills are paid.

Initially, the system is used to allocate space, check against clashing events in the centre's concert halls and generate an event profile which holds all directly related information, such as set-up time, rehearsals and receptions.

As a production unfolds, comments can be added to the event profile and technical requirements detailed from which the system generates worksheets for both backstage and front-of-house staff. Users also enter equipment and staff needs. These are automatically charged to accounts, while shortages trigger the system to jolt memories in supply departments.

The system reduces duplication of effort by storing information pertinent to particular productions. Dorcas Johnson, computer projects manager, says: "In the past, all the information collected for an event was lost. Two years later, we would put on a similar event and make the same mistakes. Now the experience gained can be reapplied."

As grants go down and costs go up, successful information management will be essential to curb overheads and maintain artistic budgets. Computers will increasingly control the environment in which inspiration can flourish.

Automated counting and voting are polling well, reports **Max Glaskin**

Machines set for election victory

Michael Howard, the UK home secretary, will soon decide whether machines can be trusted to count votes at local, general and European elections. Barcodes, light pens and optical mark readers could replace humans, if he decides that the technology offers "real advantage".

Greater speed, convenience and accuracy make machines attractive, but cost will be the biggest factor. To count ballot papers by hand costs about 5p for every registered elector. But a parliamentary Home Affairs committee has found that it is increasingly difficult to staff ballot counts. Thus the committee is expected to recommend vote-counting machines in its report this month to Howard.

Three companies with different systems are waiting for the creation of the new market. The push for technology has largely come from American Information Systems, a company whose optical mark readers (OMRs) were used in 30 states at last year's US presidential election.

Blind eyes were turned to allow the southern English town of Bognor Regis to use an AIS machine at a local referendum last December. The count, which would have taken 10 people more than two hours by hand, was completed in 33 minutes.

The machine has sophisticated techniques for auditing the ballot and eliminates the need for pre-sorting the papers. However, it only reads special ballot cards, the same width as an A4 sheet but 6cm taller. At the count, stacks of cards feed into the machine automatically. Four hundred a minute can be scanned.

Ordinary ballot papers can be used on two other systems. Miste Data Services of Redbourn, Hertfordshire, has adapted OMRs commonly used for marking multiple-choice examination papers. Papers are fed in by hand and the machine is linked to a PC loaded with proprietary software to tally votes. Miste shadowed the St Albans local election in May and claims it is significantly faster than manual methods in multi-seat votes.

Epping Forest local authority in Essex has designed its own semi-automatic process. At the count, each ballot paper is placed in turn underneath a template which has a different barcode against each candidate. An operator with a light pen swipes the barcode of the selected candidates and software on a standard PC stores the totals.

Epping Forest's system was used at parish elections in Theydon Bois in May. It took five people two-and-a-half hours to swipe 15,000 votes. Manually it would have taken 30 people an hour longer.

AIS reckons its system will cost about £10,000 for a constituency and will take six years for costs to be recouped. Miste's package will cost less than £5,000. Epping Forest only aims to cover its software development costs and charges £79 for a single site licence or 1.5p for each registered elector. Two local authorities in the West Midlands have bought licences.

None of the machines are likely to be cost-effective or quicker in "first past the post" ballots such as the British general elections. They will come into their own at district and parish elections when many candidates can appear on one ballot paper to contest several vacant seats.

The US, Australia and the Netherlands have gone a step further than merely automating the count. Their polling booths have push-button machines for voting.

At the Norwegian general election on September 13, Oslo leased OMRs from British company DRS, to test automatic vote counting. They worked well.

Meanwhile, Belgium is preparing to use computer screens, light pens and credit cards to automate voting and counting. Trials costing BFr480m (£9m) will take place at next June's European elections, using modified school computers.

If Howard gives the go-ahead for the machines, Parliament will have to amend the Ballot Act of 1872. He may also have to consider whether ballot equipment grants to cover 50 per cent of the costs should be made available.

A better way to export

Exporters, the banks and the government are all criticised in a report* on the quality of services to help exports. Exporters are accused of insularity, the banks of not providing suitable support and the government of failing to market its services effectively.

"It is particularly depressing to note the number of active exporters who are insular in their approach to currency management, risk reduction and competitive sales practices," commented Ian Campbell, director general of the Institute of Export, which commissioned the survey.

It was based on the responses of 250 companies, 69 per cent with sales of up to £10m. All were already engaged in exporting.

Few companies had a strategy for handling foreign exchange and many small companies would sell only in sterling, the survey found. Businesses were concerned at the cost of credit insurance premiums and British companies made less use of insurance than their continental European counterparts.

Three-quarters of the companies polled went first to their bank for export advice, but smaller firms in particular were dissatisfied with the service they received. Most exporters financed exports from working capital, usually their bank overdraft, although 5 per cent used their own funds.

This reliance on overdrafts and own funds reflected the decline in the number of special export finance schemes on offer from the banks. They have fallen from 13 to five over the past two years.

Exporters were critical of services provided by the Department of Trade and Industry, with most criticism coming from companies which used the services least. Amid this general criticism, some elements of DTI help were rated more highly, including its regional offices, overseas trade missions and export market research service.

"The government still has much work to do in persuading smaller companies that the services it offers and the assistance it provides are relevant and beneficial to them," the report, by the Bank Relationship Consultancy, said.

CB

**From Institute of Export Tel. 071 247 9812. £75.*

Charles Batchelor looks at a marketing premise in practice – make what you sell, not sell what you make

Let the customer be your guide

Trevor Humphries

Julian Rankin: his company, Ora Lighting, survived the recession by deciding to go with the market rather than fight it

When Julian Rankin and Michael Osborn established their lighting business in London in 1985, they had definite plans for the future. They had set their sights on establishing their company as a manufacturer of well-designed, high-quality light fittings.

But they encountered two problems. As a very small company, Ora Lighting had neither the manufacturing scale nor the marketing presence to take on its bigger rivals. More important, architects kept commissioning them to carry out one-off lighting design projects.

"Seventy per cent of our work was special-product development," recalls Rankin, an industrial design engineer by training. "We tried to steer away from that and impose our own standard ranges of products on the market. Up to a point we were successful, but we didn't have the marketing muscle and, as a small company, we couldn't produce in large runs anyway."

Realising they needed outside advice to resolve their dilemma, Rankin and Osborn signed up for subsidised consultancy advice under the government's Enterprise Initiative. They were put in touch with Mapa, a London-based marketing consultancy.

The advice from the Mapa consultant was to go with the market rather than fight it. If Ora's customers valued the company for its skills in designing bespoke lighting arrangements, then why try to ram the standard designs down their throats?

Once the decision was taken to concentrate on the "specials", then Ora's promotional literature had to be modified to take account of this. Previously the company had emphasised its stock lines, but had few photographs and brochures illustrating its bespoke installations. This was remedied.

At Mapa's suggestion, Ora stepped up its direct mail campaign, targeting existing customers to win repeat business and new ones to extend its client base.

Rankin is in no doubt that the decision to take a more professional approach to marketing and to respond to the clear signals its customers were sending helped Ora survive the recession. At a time when many of its competitors have gone out of business, Ora, which now has 15 employees and turnover of £500,000, has record order books.

Ora's initial approach to marketing is by no means unusual. Entrepreneurs frequently set up in business with an idea for a product or a service which they are convinced will take the market by storm. They may be lucky, but many fail.

"A lot of companies think they have something which is unique and are surprised to find someone else offering something very similar," comments John Maclaran, a consultant with Mapa. "They think they know who their customers are but they never talk to them to find out what they really want. It is a question of looking at the product from the other side."

But persuading business owners and managers to take a fresh look at their marketing can be difficult. "Getting somebody to go out and ask their customers what they want is not easy," comments Terry Mitchell, manager of the Milton Keynes Marketing Centre, which advises local businesses.

"There is a lot of pride involved for someone who has built up his own business. He doesn't want somebody telling him he has got it wrong."

Instilling a more professional approach to marketing is hampered by widespread ignorance of what marketing actually is. Many owners assume that marketing is synonymous with sales promotion and imagine that it is limited to advertising, mail shots and public relations. The marketing industry has not always been its own best advocate, confusing potential customers with jargon.

"I have people come in and say: 'We did some marketing once and it didn't work'," says Mitchell. "What they have done is put together a brochure featuring a history of their company. Engineering companies are particularly good at that."

'A lot of companies think they know who their customers are but they never talk to them to find out what they really want'

Marketing specialists commonly fall back on a description of their craft as helping people to make what they can sell instead of selling what they can make. Far from being a technique to be adopted at the end of the production chain, marketing is a discipline which goes right to the heart of a business, determining its field of activity and choice of products.

It starts with market research in order to build up a knowledge of customers and competitors. It moves on to designing products or services to suit the market-place and pricing them at the highest level the market will bear. Only then does marketing take on its more familiar forms of promotion, advertising and selling.

"We tackle marketing as a strategic issue," explains Maclaran. "We review the existing business, look at their customer base and audit their publicity material. We find out where they fit on the market map and how they relate to their customers.

"We analyse the market and try to quantify how big a segment a client can realistically aim for. We look at the competition. People's objectives and the size of the market are often poles apart. We analyse their financial and operating information and try to formulate a marketing strategy."

Robin Phelps, co-founder and managing director of the "florists' sundries" wholesaling business which bears his name, is typical of many business owners. "In the late 1980s everyone was talking about marketing," he says. "We thought: 'What the hell is it all about?'"

With signs of an approaching recession and increasing competition from cut-price suppliers, Phelps needed some answers. Help came in the shape of a mail shot from the Milton Keynes Marketing Centre, offering the advice of its experts.

At the suggestion of Terry Mitchell, Phelps decided to establish a cash-and-carry outlet, so as to reach the smaller florists he could not economically serve from his main warehouse. These customers had begun buying their artificial flowers and other flower arranging materials from travelling vans.

The cash-and-carry operation was started under a different name while an effort was made to strengthen the more upmarket image of the Robin Phelps name. The company developed – "repackaged" – its own range of bouquets of artificial flowers for sale through petrol station forecourts.

This has not worked out quite as Phelps had hoped, because the large petrol station chains switched over to centralised buying. But the company, which has 17 employees and sales of £750,000, is now hoping to develop other niche markets.

Concentrating on a particular niche also proved to be the answer for Andrew Morris, an accountant based in Richmond, west London. Morris, a sole practitioner who trades as Ixer/Morris and employs a staff of four, says he, too, was concerned at signs of the impending recession.

Worried more about its impact on his clients than its possible direct impact on his own business, Morris went to a "roadshow" organised by the Department of Trade and Industry. He got talking to one of the advisers and realised he might benefit himself from some consultancy.

"The consultants' message was simple: identify your market and major on it," says Morris. "We had been a general practice, but we decided to concentrate on specifics." Morris is unwilling to identify the type of client he now targets but says they are in the services sector.

He stopped advertising in the local paper and the Yellow Pages and concentrated on the trade press.

The outcome of this more targeted approach has been to allow a small expansion of Morris's firm. Without it, he says, he could well have been forced to lay off staff.

Businesses which take marketing seriously often face painful choices. They may have to give up a cherished product to move into a more promising area. But the alternative to making what your customers want, could be making, and selling, nothing at all.

Moves in ethnic market

Businesses in Britain owned by ethnic minorities will have to work harder to develop new markets in future, according to a survey by Kingston University Small Business Research Centre.

The ending of large-scale immigration and the move by many younger members of ethnic minorities out into the broader community to live and work will reduce the size of the "captive" ethnic market, the researchers concluded.

The study looked at three ethnic communities: Bangladeshi, Afro-Caribbean and Greek-Cypriot. Seventy-six businesses in London, Sheffield and Leeds took part.

The Greek-Cypriots had gone furthest in breaking into the wider markets needed to develop mature, successful businesses, the study said. They also had the widest range of kinds of business.

The Bangladeshis tended to be in low-profit, highly competitive markets with low-growth prospects such as restaurants, clothing manufacture and retailing. Compared with the other two groups, they operated in the narrowest range of enterprise.

The Afro-Caribbean businesses were the smallest and the youngest and all had been set up after 1980. They were strongest in food manufacturing and non-professional services.

Ethnic minority business owners were educationally well qualified compared with white small-business owners and the working population as a whole. Afro-Caribbeans were the best qualified and Bangladeshis the least.

More than one-third of businesses were dependent on their own communities for more than 50 per cent of sales, with Afro-Caribbeans the most dependent.

Some 45 per cent had used bank finance to get started and only 7 per cent reported being refused. Accountants were the main source of business advice. But trade associations and chambers of commerce were less popular and greater use was made of the assistance of family and friends.

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For further details contact the Joint Administrative Receivers: Maurice Withall and Scott Barnes, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Tel: 071-383 5100. Fax: 071-383 4077.

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For further information contact the Joint Administrative Receivers, Philip Ramsbottom or Peter Terry, KPMG Peat Marwick, St James Square, Manchester M2 6DS. Tel: 061 838 4000. Fax: 061 838 4089.

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For further details, please contact Richard Daszkiewicz or Adam Strachan at the address below.

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Principal features of the business include:

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For further information, please contact the Joint Administrative Receiver, R W Birchall FCA, at Coopers & Lybrand, 66 Queen Square, Bristol BS1 4JP. Telephone: 0272 292791. Fax: 0272 307008.

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Jurisdiction of CFI extended

EUROPEAN COURT

The first major increase in the jurisdiction of the Court of First Instance since its creation in 1988 came into effect last week. By its decision of June 8 this year, the Council of Ministers extended the jurisdiction of the CFI to cover all direct actions brought by private parties against the Community institutions. The transfer, however, is not to apply to anti-dumping cases until the Council says so.

The practical implications of the Council's decision have become apparent from an order of the European Court of Justice, transferring cases within this general category to the CFI. As a result, in the region of 450 individual cases have descended to the CFI from the ECJ.

These cases include an exceptional number – 380 – of milk quota cases, in which compensation is claimed from the European Commission for mishandling milk market regulation. Many more may have been filed directly with the CFI under its new jurisdiction before the expiry of the deadline for making compensation claims.

The others are mainly judicial review and damages claims in the fields of state aids, external trade relations, environment and consumer protection as well, as employment (pensions) questions involving the EC institutions.

One of the main purposes of the Council's decision to extend the jurisdiction of the CFI is to permit the ECJ to reduce still further delays in hearing cases by cutting the court's case load.

In fact, leaving aside the exceptional number of milk quota cases, each of the 13 ECJ judges is unlikely to lose more than four or five cases for which they bear primary responsibility as the reporting judge.

Similarly, the 12 CFI judges individually will receive only a few additional cases. Nevertheless, the increase in case load will be welcomed by the CFI judges who have been restricted previously to competition, staff and certain coal and steel cases.

The ECJ will, however, take on a new role as the appeal court for all the cases transferred to the CFI. All cases heard by the CFI at first instance may be appealed to the ECJ on a point of law.

ECJ Order, September 28 1993, applying Article 4 of Council Decision 93/350/ECSC/EEC/Euratom of June 8 1993, OJ 1993 L144/21, June 16 1993, modifying Council Decision 88/591/ECSC/EEC/Euratom establishing the Court of First Instance.

Pensions judgment

The European Court of Justice has announced that it will give judgment tomorrow in the Ten Oever equal pension rights case. This case was referred to Luxembourg on questions concerning pension rights in the light of the court's 1991 Barber judgment. The Court has decided to give judgment in this case alone rather than together with the cases joined with it, which include the Coloroll case.

C-109/91: Ten Oever v Stichting Bedrijfpensioenfonds voor het Glazenwassers.

Competition cases

Last week, the ECJ held oral hearings in two competition cases involving the Treaty ban on abuse of a dominant position. The first concerns the scope of the competition rules and their application to the public sector in the case of Eurocontrol.

In particular, the Court has been asked to rule whether operations such as Eurocontrol are "undertakings" (or the sort of economic enterprise) covered by the competition rules.

C-364/92, SAT V Eurocontrol, hearing ECJ FC, September 28 1993.

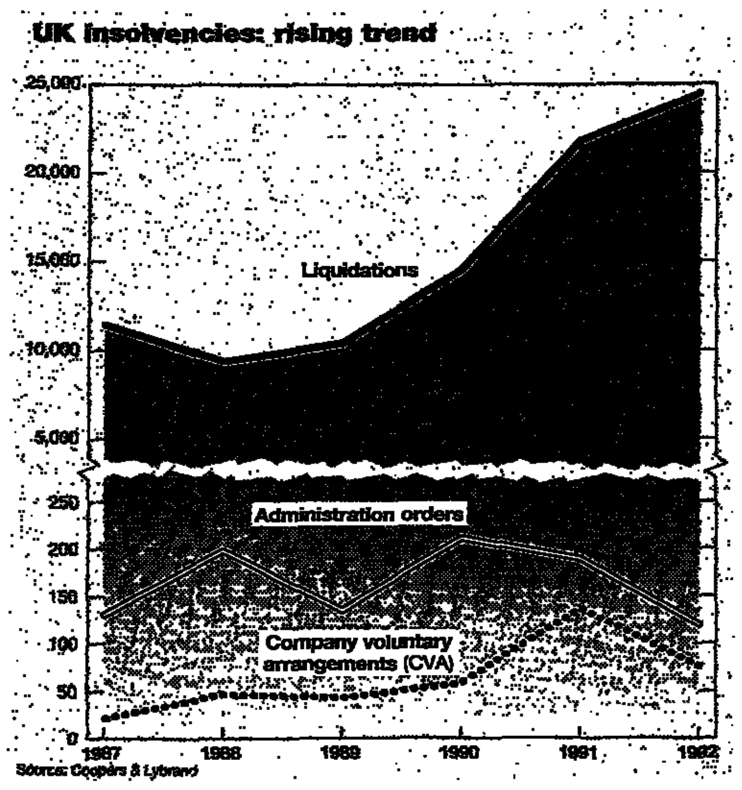
The second concerned the appeal by Hilti to the ECJ against the CFI's December 12 1991 decision (Case T-30/89), rejecting Hilti's original appeal against the Commission decision fining it for abuse of a dominant position in connection with the tying of the purchase of Hilti nails to the purchase of Hilti nail guns. Hilti is challenging the CFI's determinations of the relevant product market, the finding of dominance and the burden of proof.

C-53/92-P. Hilti v Commission, hearing ECJ FC, September 29 1993.

BRICK COURT CHAMBERS, BRUSSELS

Towards a rescue culture

Robert Rice on the debate over insolvency law in the UK



Source: Coopers & Lybrand

As Britain emerges from recession, analysis of the insolvency regime introduced by the 1986 Insolvency Act has already begun.

Prior to 1986 the UK insolvency regime was not geared to rescuing companies as going concerns. The 1986 act, which came out of recommendations of the Insolvency Law Review Committee chaired by the late Sir Kenneth Cork, was designed to facilitate the rescue of the viable portions of a business and to penalise directors who did not act responsibly.

Its main innovation was the introduction of the role of administrator, normally an accountant, appointed by the courts to try to save the business rather than to liquidate it.

Through the introduction of the administration order and the company voluntary arrangement, where the directors voluntarily hand the running of the company to an insolvency practitioner, it was hoped a "rescue culture" similar to that engendered in the US by the "Chapter 11" procedure could be achieved.

Administrations differ from Chapter 11, however, in that the appointment of an administrator frequently results in the displacement of a company's existing management, whereas chapter 11 leaves existing management in place as "debtor in possession" to run the company under the watchful eyes of the creditors.

This difference of approach has prompted much debate. As the UK climbs out of recession, lawyers, accountants and insolvency practitioners have begun to question whether the English administration procedure has achieved its objective or whether the issue should be re-examined with a view to designing a system closer to the American debtor in possession concept.

The recession gave the rescue procedures introduced by the 1986 act a baptism of fire. There have been some successes, with businesses emerging from administration as going concerns but, for many lawyers and accountants, the procedures have not been a success.

Administration has proved prohibitively expensive for smaller companies largely, it is said, because of the procedure's over-reliance on court involvement.

When companies find themselves in financial difficulties, most boards do not embark on the administration procedure early enough for successful rescue, perhaps because the procedure does not leave a large enough role for existing management and directors fear loss of control.

The statistics suggest the hoped for "rescue culture" has failed to materialise: rescue procedures, already in decline, represent less than 1 per cent of company insolvencies.

How, if at all, Britain should change the insolvency regime and whether English corporate insolvency should move towards the US system, were debated last weekend at the Bar's annual conference in London.

Mr Robert Rosenberg, a partner of US law firm Latham & Watkins, said America had opted for a debtor in possession concept because that was what the marketplace wanted.

There was general confidence that the chapter 11 system contained enough checks and balances on directors' conduct, such as creditors' committees, to prevent the debtor in possession running amok.

Americans also subscribed to the "better the devil you know" philosophy, he said. However incompetent the management of a company had been there was no reason to believe new management would be any better.

But the debtor in possession concept had its drawbacks, he said. It worked poorly in small cases, where creditors were often reluctant to get involved in the rescue.

In the large cases, there had been criticism of the size of lawyers' and accountants' fees. The process was also said to be too lengthy. In reality, however, fees were normally a very small percentage of the assets of the estate, and most chapter 11 cases were successful.

In the UK, bankruptcy is still very much a moral issue, according to Mr Michael Crystal QC, a leading commercial silk. The Victorian concept that a director responsible for getting a company into difficulty is not a fit and proper person to continue to manage it is reflected in the 1986 legislation. Administration involves displacement of existing management.

Mr Crystal told the conference England needed a system which allowed existing management to have a real role. That would give them an incentive to stay, to go for rescue early and would motivate them to co-operate with an outsider supervising the process.

The English regime was also too court driven, he said. "The High Court is not the appropriate type of court to deal with the vast number of issues which arise in an insolvency. Its training does not give it the necessary expertise. So, to expect it to express business value judgments is unrealistic," he said.

There could be a role for a type of commercial court staffed by people capable of taking commercial decisions, he suggested. Some thought should be given to creating an insolvency tribunal.

Mr Crystal said there was also a need for a body like the Financial Law Panel to develop a code on corporate governance issues for directors whose companies are in difficulties. It was not enough to refer them to wrongful trading legislation and leave them to it.

Mr Fred Pointon, head of group risk at National Westminster Bank said that, before opting for legislative change, some thought should be given to adapting elements of the London Rules Approach, a set of voluntary principles used by bank creditors, to provide a framework for continued support for troubled companies from banks until agreement can be reached on the way forward.

The London Approach involves three stages: a standstill or moratorium on enforcement procedures; an investigation by accountants; and, a refinancing.

In the last three years, NatWest had used the London Rules to deal with bank debts of £19.8bn, and in only 1 of 27 cases had the company gone on to insolvency. "We believe the procedure has some value in preserving companies rather than pushing them under," he said.

There are those who believe the 1986 act has been a success, however. Mr Justice Millett, a member of the Cork Committee, said there was little basically wrong with the present regime. It had its faults – there was too much displacement of existing management, for example. But the real problem with administration was its high cost.

In that respect it was no different from Chapter 11. But there was little to choose between the two systems, he said. Both could and did save large businesses. If success meant the continuation as a going concern of a business, as opposed to the company, the UK's success rate was better than the US's. But if success meant keeping the *company* going, the English success rate was much worse than the US's.

The overriding need was for a cheap form of administration, but there was no reason why this could not be achieved within the existing legislative framework, he said.

LEGAL BRIEFS

Tax information at the push of a button

Fifty of the UK's top 100 law firms will this week receive on a trial basis a computer-based reference work on tax law. The Books on Screen package is described by Compliance, its creator, as a new approach to information retrieval.

While lawyers may have struggled to come to grips with cost-efficient use of standard text retrieval systems such as Lexis, Books on Screen looks like a book and can be accessed and read like a book. But it also offers the added benefits that can be achieved through using technology.

Books on Screen is designed for publications that contain a large number of cross-references. These can be called up on screen without the effort involved in checking cross-references on a hard copy. It is therefore ideal for tax legislation.

The tax package contains the yellow and orange tax handbooks, the yellow and orange tax guides, Butterworths UK tax guide and Simon's tax case headnotes since January 1973. The system will be updated weekly. Compliance hopes to launch a company and commercial law package in December.

Lawyers and accountants buying the system will have to pay £995 a year for one user and £395 for each additional user. They will also need a 25MHz 386 PC with 4MB of Ram using Windows to run the system.

Loans for trainees

National Westminster Bank has agreed to make up to £100m available over the next five years for a special loan scheme to help trainee solicitors through their vocational course. The deal allows any student with a job waiting following completion of the course to borrow up to £10,000, repayable within five years of qualification.

PEOPLE

Vernon takes on Blanchardstown

Green Property, the Dublin-based property investment company quoted on both the London and Dublin stock exchanges, has a new managing director, Stephen Vernon. He takes over from John Corcoran, who founded the company 28 years ago and who retired in August.

Vernon, 43, is a chartered surveyor and was group managing partner of St Quintin in London before taking up his new post. He has been a non-executive director of Green Property since 1989.

Vernon faces a number of pressing tasks at Green, the most immediate probably being to ensure the successful re-start of the group's planned Blanchardstown shopping centre project, suspended amid controversy in June 1991.

Blanchardstown, a new town being created to cope with Dublin's rapidly expanding population, has experienced delays in its development as politicians and lobbyists have clashed over the rezoning of land – altering its designated purpose – for either residential or industrial purposes.

"The political hold-up has in large measure been cleared up, though resolution of the zoning issue is not yet complete," says Vernon.

Green Property will, he says, forge ahead with its plans for Blanchardstown but it needs to finalise details on its financing and also on its "anchor" tenants; negotiations are proceeding on both fronts and Vernon says he hopes the financing will be with a suitable partner.

He emphasises that pushing ahead the 57-acre site, with its planned 1m square feet of shopping, leisure and community facilities, is in any case only one of several priorities.

He wants the company to grow; it is "still very small, with a market capitalisation of a shade under £20m, whereas I think it should be closer to £100m". He plans on keeping its portfolio solidly in the offices/shops/industrial property sector. As for his current commuting life – 3 days in Dublin, 2 days in London each working week – it has its compensations, including visits to Dublin's Abbey Theatre.

■ **Richard Hooper** is joining Green Property as a non-executive director. He has just retired as managing director of corporate finance at the Investment Bank of Ireland.

■ **Kevin Williams**, operations director of Royal Mail, has been appointed md of Parcelforce. **Richard Dykes** is confirmed as md POST OFFICE Counters; **Jerry Cope**, personnel director, Royal Mail, is appointed director, strategic and business development for the Post Office Group and **Malcolm Kitchener**, former finance director of Parcelforce and its acting md, becomes finance director, Royal Mail. **Bryan Roberts**, group services and personnel director, becomes personnel director, Royal Mail; **Ken Wright**, director and general manager, Royal Mail Midlands division, becomes operations director, Royal Mail; **Roger Tabor**, finance director, Royal Mail, becomes finance director, Post Office Counters; he succeeds **David Turnbull** who becomes director, special projects.

■ **Buck Bender**, formerly regional director for Europe, has been appointed manager of the London office of HUGHES INTERNATIONAL CORPORATION.

■ **Michael Noakes**, formerly group chief executive of Boustead, has been appointed a director of POWELL DUFFRYN and will progressively assume responsibility for parts of the group's engineering interests.

■ **John Fairley**, former director of programmes, has been appointed md and **David Holdgate**, finance director of Yorkshire Programmes, is appointed finance director at YORKSHIRE TELEVISION; **Grant McKee** is appointed director of programmes and **Richard Gregory** director of regional programmes.

■ **John McFaull**, formerly general manager, finance with Caradon Everest, has been appointed finance director at Caradon Plastics, part of the MB CARADON GROUP.

■ **Christopher Reynolds**, former apparel director worldwide for Reebok International, has been appointed md of BLUEBIRD International.

■ **Robert Miller**, formerly md of Digitron, has been appointed director of systems sales at AEG's UK engineering division.

IPE's growth potential attracts Christmas

Trevor Christmas, the new director of business development at London's International Petroleum Exchange, is in the odd position of hoping that his most recent experience at British Petroleum will have little relevance to his new job.

He was one of six BP executives charged with planning ways to slim down the European workforce, a skill which he hopes won't be needed at the IPE. The growth potential of the IPE, which last month saw a record number of futures contracts traded, was its main attraction, Christmas says. That is in contrast to the oil industry, "which many people consider to be mature, and where the current name of the game is to become more efficient", a process that almost invariably means consolidation and cutbacks.

Christmas' career at BP International began after graduating with honours from the LSE. His 23 years with the company included stints as an oil trader in New York and Tokyo before taking on the recent European assignment. It was during that trading experience in the mid-1970s to mid-1980s that he became familiar with the IPE.

Another attraction of the IPE job is the opportunity to operate "on a world stage rather than just a European one". That, however, could mean even more time away from home as he has made a priority of meeting as many IPE clients as possible.

The task of a Computer Users' Association has changed as the computer industry itself has changed. There is less need to act as a forum for aggrieved customers; the associations act now more as mediators between the plethora of industry lobbies and standards organisations.

The ICL CUA realised earlier this year that it needed to present a more forceful image; for the first time it has appointed a full-time national officer in the shape of Derek Cripps.

Hailing from South Wales, Cripps, 54, is well qualified for the part in two ways; he was a member of the ICL CUA in an early incarnation as a dp in the construction industry and for 17 years was an ICL employee. He is anxious to increase membership and to see members getting greater value from the association. In particular, he wants a stronger user voice in industry concerns. In these roles he should benefit from his background in marketing and sales.

Cripps is well aware of the paradox that CUAs – which are supposed to be champions of the customer – are more often than not funded by manufacturers, thus casting doubt on their independence and efficiency as a watchdog. He argues, however, that the CUA is not controlled by ICL and that it forms an effective interface between the company and its customers.

The French are still capable of surprising and gratifying us all. Just as we finally despair of the current, apparently terminal state of the visual arts, with a supposed avant-garde committed to nothing more than the glib orthodoxies of critical fashion and the market-place, up they come with an exhibition that clearly shows us that true painting and sculpture have been going on all the time.

And what is it exactly, this "true painting"? It is easier to say what it is not, for here is nothing of empty conceptualising, no striking of self-conscious attitudes, no idea-led and limited investigation or polemic, no art about art. Above all, there is nothing in which responsibility for the work as it actually appears is shuffled off onto mere process or the bare proposition of idea or image. Here is the work of artists as individuals, engrossed simply in the resolution of their work in terms of their own direct experience of the world. At the last it is neither more nor less than what they themselves have done. Responsibility is all.

That said, it has its limitations. *Manifeste* is hardly an earnest for the future, for many of its artists are dead and none is exactly young. There is to it all a whiff of the old-fashioned, which, to be fair, is openly acknowledged in the excellent catalogue. "Here are the crossers of the ford. They have known another Europe, one still essentially agricultural, industrial and artisan, such as it was in the 19th century, a culture from before the media... They were active when those ideas that shaped our epoch were in the melting-pot... they conducted their debates, of solitude to solitude, with an astonishing vitality, for all their apparent respect for traditional techniques, or their indifference to the spectacular developments of newer generations."

And, this being France, it is of course over-whelmingly Franco-centric, not so much a celebration or attempt to reassert the primacy of the School of Paris, but rather an acknowledgment of its survival. "They knew how to keep their distance. In the singularity of their work, these artists have indeed written a 'parallel history', though its global sense was perhaps lost with the end of the dominance of *l'Ecole de Paris*." The exhibition is drawn from the collections of the *Musée nationale d'art moderne* which are held at the Centre Pompidou, and of its international element – that includes Balthus, Giacometti, Picasso, Soto, Vasarely, Tàpies, Fontana, Poliakoff, Miró, Calder and many more – only Francis Bacon and Anthony Caro, at a quick check, spent no extended working period in Paris.

The point is not altogether gratuitous, for that missing *sens global* might well have been supplied, were there the works within the collections

'Le Peintre et son modèle', 1981, by Balthus in the exhibition currently at the Georges Pompidou centre

Artists true to their imagination

William Packer admires modern art that is not avant-garde

to supply them, or the curatorial will to choose them. Quite whose fault that is is an open question. We do well to remember that a narrow chauvinism, though a French word, is by no means peculiar to the French.

The show is divided under headings – the painter and his model: figuration, defiguration: the skin of the work: sign and handwriting: gesture and colour: the surprises of geometry: and so forth. And, given the period, it is not hard to find the places that might have been filled by American painters such as Guston, Rothko, Motherwell, Kelly or de Kooning, or British for that matter, such as Bridget Riley, Freud, Auerbach, Kossoff. It remains true that most British painting of the period is barely known abroad. As for the Americans, one of the show's most spectacular paintings is by Joan Mitchell, an abstract expressionist who died last year at the age of 66, having been resident in Paris for many years. She is not represented at all in the current survey in London of 20th century American art. Forgetfulness or indifference?

But this is a School of Paris show, even so, to be taken as it is, with all its special emphases and lacunae, and as such it is one of the most stimulating and encouraging exhibitions of near-current art to be seen in recent years. The reason, adumbrated before, is simple, with the artist shown once again in proper relation to his work, one to one, direct and physical.

The imagery might be more or less figurative – Picasso's desperate, fading sexuality; the more ambiguous, charged sexuality of Balthus, the angst-ridden intensity of Giacometti, the humane despair of Bacon, the dreadful, symbolic autobiography of Zoran Music. Again we might have Pol Bury with his clicking, shifting, mechanical surfaces, Vasarely with his eye-teasing opposition of positive to negative, Morellet with his dense, meticulous cobwebs, Soto with his disrupted, moire-pattern effects, all of them testing the muscular, palpable sensation of vision.

Or here are Burri and Tàpies, Keméŷny and Fontana, working the surface as a physical object, or Mitchell, Bazaine, Riopelle, Viera da Silva, taking the mark and the gesture at the brush's end and conjuring from it the internal landscape of the mind to which all abstract painting would seem to aspire. Whichever it is, before each particular work we confront an artist's singular engagement with work, achieved with his own hands and resolved through the medium of his own imagination and experience.

This is some of the work with which my generation grew up and, the nostalgic frisson apart, it is good to see it brought once again into the light, not as a critical curiosity, but as something still vital and imaginatively potent. Painting is not dead, nor even moribund and in despair, but it is critically neglected, especially that of the more recent generations.

Manifeste – une histoire parallele 1960-1990: **Centre Georges Pompidou, Paris 4, until December 3.**

Music in London

Messiaen remembered

The London Symphony Orchestra starts the current concert season in commemorative mood, recalling two colossi of 20th-century music. A week ago it was Leonard Bernstein (who died three years ago); last Sunday it was Olivier Messiaen (who died last year). On both occasions the mixture of memorial and celebration has been expertly judged.

Sunday's LSO Messiaen concert launched a series of four at the Barbican Hall – two by the LSO, two by the London Sinfonietta, the last timed to fall on what would have been the composer's 85 birthday (Dec 10). During its course the orchestra will give the eagerly-awaited London first performance (a year after the New York premiere) of *Eclairs sur l'au-delà*, the last big Messiaen composition.

But in the first of the series the approach was both introductory and panoramic: in four works covering more than 50 years of creation – *L'Ascension* (1933), *Poèmes pour Mi* (1937), *Chronochromie* (1960) and *La Ville d'en haut* (1987) – the evolutions in language and style of a composer who came to dominate French music in the second half of the century were fully and rewardingly adumbrated.

The idiom may have altered, sharpened, enriched its amalgam over time – birdsong, Messiaen's most remarkable and most personal appropriation for music, entered his artistic universe only in the 1950s. Yet the vision behind the idiom remained utterly consistent. For Messiaen music was always a means of glorifying God: this is the chain that securely joins up the complete span of his compositions.

Sunday's LSO conductor was Pierre Boulez, in most respects a Messiaen conductor non-pareil. The accuracy, brilliance, clean cut and balanced outlook of his readings hardly need describing at this date. Not for the first time, however, it struck me that the determinedly "non-mystical" side of Boulez's character sometimes prevents him from penetrating that very region in Messiaen.

In *L'Ascension*, for instance, the numinous atmosphere that should accrue from the ritualistic passage of four richly-textured movements was undercut by the conductor's matter-of-fact-ness; and in *Chronochromie*, the most ruggedly complex of Messiaen compositions, though Boulez always sorts out the barrage of detail with enviable lucidity, the spiritual purpose behind the detail remained unclear.

Yet when so much of Messiaen's thinking is characterised with so much mastery, by conductor and orchestra alike, it is hard to remain long in this critical mode. And to the performance of the rapturously romantic *Poèmes* by the French soprano Françoise Pollet, ample, beautiful and serenely dignified in every bar, surrender was the only possible response.

★

Earlier on Sunday the Barbican had offered the first of its "Celebrity Recitals": Stephen Kovacevich played Beethoven and Schubert (two more later this month). In spite of an early technical hiccup with the Steinway, the pianist produced the sort of playing that now places him among the world's small number of reigning Classical masters. Kovacevich seems boldly unconcerned with tonal allure; his Beethoven Op 31 sonatas were often gruff, but never lacking in spirit. His Schubert – the late A major – combined simple lyricism and long-term dramatic intensity in a way to bring to mind the late Rudolf Serkin. No praise could be higher.

Max Loppert

Prague on the Thames

Over the next three weeks, the South Bank is running a "Czech Season": not just a matter of dusting off familiar Dvořák and Janáček, for there are unfamiliar and intriguing pieces too – by Suk, by Kozeluch and Krommer, Eben and Benda, orchestral pieces and chamber works old and new, in all three of the South Bank halls. Among the visiting Czech performers, on Saturday we had the venerable Czech Philharmonic to open the season in the Festival Hall.

Their programme consisted, grandly and simply, of Smetana's six-part cycle *Mà Vlast*, "My Fatherland", which we scarcely ever hear in a complete end-to-end performance. Everybody knows the enchanting river-scape *Vltava*, but the other five panels get only occasional exposure. If the programme-book was over-excitable in declaring *Mà Vlast* "without a doubt the most complete embodiment of the Czech spirit in music", the conductor Jiří Bělohlávek and his players persuaded us that the cycle is indeed aglow with national spirit and that nobody is likely to deliver it so fairly and fervently as Czechs.

Calling the components of *Mà Vlast* "symphonic poems" is stretching a point. Smetana offers even less symphonic argument or development than Berlioz or Liszt. Except for *Vltava*, each of these pieces works chiefly by alternating tuneful sections, with the odd academic *fugato* and loud, emphatic repetitions at the close.

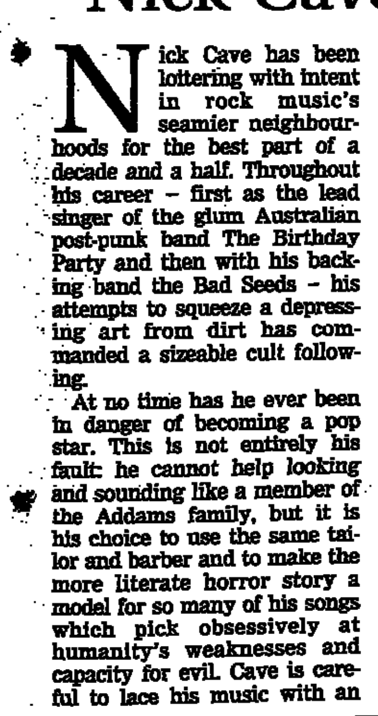
The saving virtues are Smetana's natural, unadorned fluency (folk-based but inventive too), his special and affecting turns of modal harmony, and his pristine orchestration: no *recherché* tricks or blends, but a lovely appreciation of plain instrumental character. His strings always sound like *strings*, his clarinets like clarinets, his horns like horns; the sophisticated ambiguities of a Strauss or a Debussy were still some way off. Like his Russian contemporary Balakirev, Smetana was a master of "honest" orchestral sound.

It is a rare Western band that can play him now with the right unforced, uncomplicated candour – but the Czech Philharmonic did. *Mà Vlast* was wonderfully bracing to hear, even for us non-Czechs who lack the native response to the most resounding patriotic tunes.

David Murray

Pop concert/**Peter Berlin**

Nick Cave and the Bad Seeds



Nick Cave has been loitering with intent in rock music's seamier neighbourhoods for the best part of a decade and a half. Throughout his career – first as the lead singer of the glum Australian post-punk band The Birthday Party and then with his backing band the Bad Seeds – his attempts to squeeze a depressing art from dirt has commanded a sizeable cult following.

At no time has he ever been in danger of becoming a pop star. This is not entirely his fault: he cannot help looking and sounding like a member of the Addams family, but it is his choice to use the same tailor and barber and to make the more literate horror story a model for so many of his songs which pick obsessively at humanity's weaknesses and capacity for evil. Cave is careful to lace his music with an appropriate degree of self-mockery – it is only rock 'n' roll after all, but he undoubtedly takes it seriously. He wrote music for Wim Wenders' films *Faraway So Close* and *Wings of Desire*, and appeared in the latter and also in *Johnny Suede*. He has written a novel *And the Ass Saw the Angel*. Clearly Cave is a highly creative type. But rock remains the most natural medium for his Gothic, melodramatic personality.

At the Brixton Academy his voice, deep, rich doom-laden, lacking range but perfectly *suited to his material, fills the* hall – with the help, of course, of powerful amplification. He stands at the front of the stage waving an admonitory cigarette at the black-clad crowd as he sings. In response a few sway to the music, most simply stare like an army of undead. It is not until Cave leaves the stage that they show signs of animation with a rapturous and sustained demand for an encore.

The repertoire is hard work. Dirge is the dominant style, death the chief subject. He can occasionally vary the pace. "Papa Won't Leave You Henry" is a grim tale delivered with a rolling, good-natured bluster, "Deanna" a good old-fashioned rocker – about murder. Yet there are moments when Cave manages to be more than a grim joker. With "The Ship Song" and "The Weeping Song", memorable tunes played in an almost stately fashion by the Bad Seeds, he achieves a shabby grandeur and suggests a little hope, both musical and lyrical.

CORRECTION

In a review last Tuesday, I mistakenly called the Smashing Pumpkins the Screaming Pumpkins and retitled their LP which is called *Siamese Dream*.

Fringe theatre

The Lion

Another political play has opened on London in the last few days, apart from David Hare's *The Absence of War*, and is much more fun. For all its liveliness, it is no less serious than the work at the Royal National Theatre.

The Lion, by the Guyana-born Michael Abbensetts, is about a deposed Caribbean despot in exile in England called Ramsay James. After independence, he was first prime minister of his island, then president for life before his fall in a coup. Since he was educated at an English university, he is not exactly a stranger in the land to which he returns.

James (Stefan Kalipha) is a ranter and a raver, an opportunist who has ultimately sought to stamp out the opposition, also English-educated, by force. Measured by the standards of some third world leaders, the portrait of him is probably too kind. He is accused of killing 19 people, though he has acted indirectly through his bodyguard, Hendricks.

The bodyguard, played by David Webber, is a wonderful figure who practises obeah (a form of voodoo) but is equally at home in more conventional methods of applying the frighteners. There is also an illegitimate daughter left behind by James in England and an estranged (very black) wife who has become rich with at least three elegant houses.

But forget about the plot. The remarkable fact about *The Lion* is the style. It is almost entirely English, adapted for the Caribbean. The principal influence is Noel Coward. The rich black lady imperiously played by Madge Sinclair could step straight out of one of his works. It is drawing room comedy which towards the end turns more into a thriller.

No-one should say you cannot make jokes about race or degrees of black and whiteness. *The Lion* is full of them, and very funny a predominantly ethnic audience found them. Equally appreciated are the jokes about third world dictatorship and a lust for power.

There are snipes at Britain too. The exiled prime minister is quite used to turning up at the Foreign and Commonwealth Office for talks with intelligence. He lies to them, they lie to him, he says. But when the FCO decides he has no chance of returning to power, he is dropped and becomes "just another black man". A more moving line comes from a young black who was born here. "I'm a black Briton," he says. "But what are you to the British?" comes the response from another black.

Directed by Horace Ové, the performance on the first night by the Talawa Theatre Company was slightly under-rehearsed; by this week, however, *The Lion* should look like a winner.

Malcolm Rutherford

Cochrane Theatre until October 23. (071) 242 7040

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Maria de Lourdes and her Mexican orchestra. Tomorrow at 12.30: Riccardo Chailly conducts free lunchtime concert. Tomorrow (Kleine Zaal): Britten Quartet plays Beethoven and Stravinsky. Tomorrow and Thurs evening, Sun afternoon: Chailly conducts Royal Concertgebouw Orchestra in works by Weber, Zemlinsky and Strauss, with bass soloist Willard White. Sat, next Tues and Wed: Serge Baudo conducts Netherlands Philharmonic Orchestra and Chorus in Saint-Saens and Ravel, with piano soloist Pascal Rogé. Sun evening: Shura Cherkassky piano recital. Next Mon and Wed: Borodin Quartet (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

Muziektheater Thurs, Sun: Hartmut Haenchen conducts Peter te Nuyl's Netherlands Opera production of Orfeo ed Euridice, in repertory till Oct 27. Next Mon: Dutch National Ballet presents first night of its production of William Forsythe's Artifact, in repertory till Oct 31 (020-625 5455)

■ ANTWERP

The Flanders Opera's new season opens on Sat with the first of six performances of Otello, conducted by Stefan Soltesz and staged by Gilbert Deflo, with a cast led by Corneliu Murgu, Knut Skram and Elena Filipova (03-233 6685)

■ BRUSSELS

Palais des Beaux Arts Tonight: Lothar Zagrosek conducts Orchestra of the Monnaie in works by Stravinsky, Messiaen and Beethoven, with piano soloist Pedro Burmester. Fri: Prague Chamber Orchestra plays Stamitz, Myslivecek, Martinu and Vorisek. Sat: Panoch Quartet plays Suk, Smetana and Dvorak. Sun: Ondrej Lenard conducts Slovak Philharmonic Orchestra in a Smetana programme. Next Mon: Philippe Herreweghe conducts Ensemble Vocal Européen in works by Gesualdo (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY

Daniel Barenboim conducts two programmes this week at Orchestra Hall. Tonight: music by Beethoven, Schoenberg and Wagner, with violin soloist Pinchas Zukerman. Thurs, Fri and Sat: world premiere of new work by Shulamit Ran, plus music by Ravel and Brahms. Sun afternoon: Civic Orchestra of Chicago plays Stravinsky and Tchaikovsky. Sun evening: CSO chamber music series. Oct 22: Claudio Abbado conducts Berlin Philharmonic (312-435 6666)

CHICAGO LYRIC OPERA

This month's repertory at Civic Opera House is Massenet's Don Quichotte, Carlisle Floyd's Susannah and Tosca. The Massenet, with a cast led by Samuel Ramey and Susanne Mentzer, is conducted by John Nelson and can be seen tonight, Fri and next Mon (runs till Oct 22). The Floyd opera, starring Ramey and Renée Fleming, can be seen on Sat (runs till Nov 5). Tosca opens on Oct 23, with Maria Ewing (312-332 2244)

■ THE HAGUE

Dr Anton Philipszaal Thurs and Fri: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in works by Glinka, Tchaikovsky and Taneyev, with piano soloist Elisabeth Leonskaya (070-360 9810)

■ ROTTERDAM

De Doelen Fri: Jukka-Pekka Saraste conducts Rotterdam Philharmonic Orchestra in works by Sibelius, Nordheim and Beethoven, with accordion soloist James Crabb. Sat: sacred choral works by Puccini, Verdi and Rossini. Mon: Guildhall String Ensemble plays Purcell, Elgar, Ruggles and Schubert. Next Tues: Borodin Quartet (010-217 1717)

■ SALZBURG

A short late autumn festival takes place in Salzburg this month, built around a production of Der Rosenkavalier at the Grosses Festspielhaus, staged by Joachim Herz and conducted by Hans Graf. The cast includes Edith Mathis and Günter Missenhardt. Performances are on Oct 17, 19, 21, 23 and 30. Cyprien Katsaris is piano soloist with the Salzburg Chamber Philharmonic Orchestra at the Mozarteum on Oct 14, and Theo Adam sings Winterreise on Oct 18. The Georgian Chamber Orchestra gives concerts on Oct 25 and 26, and St Petersburg Ballet Theatre presents a Tchaikovsky programme on Oct 28 and 29 (0662-842229)

■ VIENNA

MUSIC

Staatsoper Tonight, Thurs and Sun: ballet mixed bill. Tomorrow: Arabella with Ashley Putnam. Fri: La boheme with Cecilia Gasdia and Neil Shicoff. Sat and next Tues: L'elisir d'amore with Giusy Devinu and Luca Canonici. Oct 17, 19, 21: Muti conducts Le nozze di Figaro (51444 2955). Next Mon at Volksoper: Anja Silja stars in first night of new production of The Makropoulos Case (51444 2959)

Konzerthaus Tonight: Musicians from Marlboro play works by Shostakovich, Mozart and Mendelssohn. Sun: Sergei Leiferkus song recital (712 1211)

Musikverein Fri, Sat: Vassili Sinaiski conducts Moscow Philharmonic Orchestra in two Russian programmes, with violin soloist Liane Issakadse. Next Mon: Shlomo Mintz directs Israel Chamber Orchestra (505 8190)

Kammeroper Fri: first night of new production of Erendira, opera by German-based Romanian composer Violeta Dinescu. Repeated Oct 9, 11, 14 (513 6072)

THEATRE

The Austrian premiere of David Mamet's Oleanna takes place at the Akademietheater on Thurs, in a production directed by Dieter Giesing (51444 2959). Repertory at the Burgtheater includes Euripides' Phaeton and Kleist's Das Käthchen von Heilbronn (51444 2218)

■ WASHINGTON

MUSIC/DANCE

● Christopher Seaman conducts Baltimore Symphony Orchestra on Fri, Sat and Sun at Baltimore's Joseph Meyerhoff Symphony Hall. Music by Dukas, Mozart and Mendelssohn, with piano soloist Barry Douglas (410-783 8000)

● Principal dancers of New York City Ballet present choreographies by Balanchine at Warner Theatre on Thurs, Fri and Sat (202-833 9800)

● Lar Lubovich Dance Company gives a modern dance programme at George Mason University on Sat (703-993 8888)

THEATRE

● Twelfth Night: Shakespeare's romantic comedy directed by Douglas Wager. Till Oct 31 (Fichandler Theater at Arena Stage 202-488 4377)

● Richard II: Richard Thomas as the vulnerable king in Shakespeare's historical drama. Till Oct 31 (Shakespeare Theater 202-393 2700)

● Beau Jest: James Sherman's romantic comedy. Till Oct 24 (Ford's Theater 202-347 4833)

● The Caretaker: a much-admired production of Harold Pinter's modern classic. Till Oct 17 (Studio Theater 202-332 3300)

● In Trousers: the William Finn musical comedy that started the Falsettos trilogy. Till Oct 19 (Source Theater Off Hours 202-232 8012)

● Distant Fires: Kevin Heelan's play about racism on a construction site. Till Oct 17 (Source Theater 202-462 1073)

JAZZ/CABARET

Barns of Wolf Trap Thurs: The Klezmatics. Fri: Adrian Belew, songwriter and guitarist. Sat: Dave Alvin, rock and roll singer and guitarist. Oct 21: Chick Corea (1624 Trap Road, Vienna, Virginia, 703-218 6500)

■ ZURICH

Schauspielhaus Arcadia, Tom Stoppard's new multi-layered comedy, receives its German-language premiere in a production directed by Peter Wood. This week's performances are tonight, tomorrow and Fri (01-221 2283)

Opernhaus This month's programme is dominated by four Verdi operas - Rigoletto (tomorrow and Sat), La forza del destino (Thurs and Sun afternoon), Macbeth (Fri) and Falstaff (new production by Jonathan Miller, first night Oct 23). Repertory also includes Il barbiere di Siviglia, Henze's Der Prinz von Homburg and Bernd Bienert's production of Nutcracker (01-262 0909)

Tonhalle Tomorrow: Hans Vonk conducts Tonhalle Orchestra in works by Mozart and Bruckner, with piano soloist Ingrid Haebler. Thurs: Janacek Quartet plays Janacek, Dvorak and Smetana (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

The feeling's mutual

Patrick Harverson examines a change in US investors' habits

American investors have been pouring $1bn a day into mutual funds this year. That would be enough to pay off the government's 1993 budget deficit in nine months, or to meet the non-mortgage debts of every citizen in little more than two years.

This unprecedented flow of money has helped lift domestic stock markets to record levels. Yet the repercussions of the dramatic growth in mutual funds – pools of individuals' and institutions' money invested in stocks, bonds and cash instruments – go beyond contented fund managers and soaring financial markets.

The inflow represents a shift in the country's investing habits, making individuals' savings more susceptible to swings in financial markets. This change in investment behaviour, in turn, may result in less stable markets: the switching of large amounts of money into stocks and bonds with a higher risk than short-term bank deposits increases the likelihood that investors will withdraw their funds at short notice.

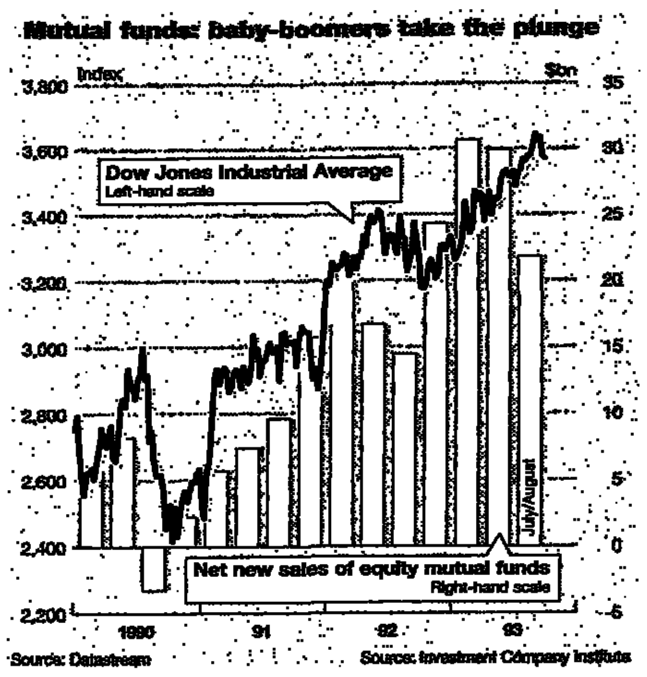
Mr Donald Straszheim, chief economist at Merrill Lynch, warns: "Many of these investors are new to the equity markets, and they likely will get very nervous if the market begin to correct, and they may cut and run. I don't think at the moment that the market is all that vulnerable, but who knows what would set such a stampede off."

The growth of mutual funds is helping fuel economic growth by supplying capital to corporate and government borrowers. Yet it also complicates the Federal Reserve's job of managing monetary policy by distorting money supply measures used to track economic activity and set interest rates.

About $1,800bn is currently invested by mutual funds in US equity, bond and money markets, up from $770bn five years ago. In 1980, only 6 per cent of US households owned mutual funds; today, 27 per cent, or more than 38m individual investors, own funds.

The most influential factor driving the industry's growth has been low US interest rates. The Federal Reserve began easing monetary policy in late 1990 to help the ailing US economy. From then on, interest rates fell rapidly as the economy moved into recession, finally emerging into a period of slow, low-inflation growth. The sharp decline in rates made stock and longer-term bond funds attractive to investors who saw yields on their short-term assets, such as bank certificates of deposit and money market accounts, drop to below 3 per cent.

Mutual funds: baby-boomers take the plunge



Source: Datastream · Source: Investment Company Institute

"An entire generation of adults grew up with the assumption that they could get 7 per cent or higher on their money and take almost no risk. Over the last two years that has become an incorrect assumption – they can only get 2 to 4 per cent risk-free, which is not an adequate return to meet their investment goals," says Mr Roger Servison, head of retail sales at Fidelity, the largest mutual fund group in the US.

At the same time as falling interest rates were pushing yield-sensitive investors into bond and equity funds, the 35-45-year-olds of the "baby boom" generation came of financial age, and embraced mutual funds.

One way "baby-boomers" have gained access to funds has been through their company pension schemes. An increasing number of US companies are turning away from traditional defined-benefit retirement plans, which guarantee employees a specific pension by investing their cash in a company-wide fund, towards defined-contribution pensions, which give employees the chance to choose from a variety of investment options, most of which are mutual funds.

The skill of mutual fund companies in marketing their products has been another cause of growth. More than 4,000 funds exist, more than double the number five years ago, and fund groups have been joined by new players in the market – securities houses and commercial banks. Merrill Lynch, the biggest US securities house, is now the country's second-largest mutual fund group with $115bn of customer assets under its management.

The surge in mutual funds has benefited many companies, as a rising stock market has made it easier to raise finance. Mr Richard Hoey, chief economist at the Dreyfus fund group, says the surge in mutual funds has allowed companies to pay off or reduce their debts. "We ended up with a corporate balance sheet dramatically strengthened, and financial risk in the system dramatically reduced," he says.

But there are disadvantages to the buoyancy of the mutual funds industry. The benefits mutual funds have brought to the US economy would be threatened if new investors stampeded out of funds at the first sign of a stock or bond market correction.

Last summer a survey by the Investment Company Institute, which represents the mutual fund industry, showed that one in 10 mutual fund owners had bought their first fund between January 1991 and mid-1992. Moreover, many recent buyers are not particularly wealthy – the ICI says the median income of mutual fund shareholders is a modest $50,000 a year. What worries the pessimists is that first-time and less well-off buyers, with a significant portion of their savings invested in funds, are just the type of investor likely to be panicked by a market slide.

Most practitioners in the industry agree that the current pace of growth cannot be sustained, and that the risk of a correction in financial markets cannot be ruled out.

Mr Ronald Lynch, chairman of the Investment Company Institute, warned recently: "It is imperative that we educate these first-time investors about both the risks and rewards of investing in long-term funds. In particular, bond fund investors must understand the impact of interest rate changes on the price of bond funds."

The chances of a crash in stock or bond prices, however, are regarded as slim by Wall Street. The economy and corporate earnings are steadily, if slowly, improving and underpinning the buoyancy of financial markets. At the same time, Mr Servison of Fidelity is confident investors will not take fright: "Eighty per cent of all mutual fund owners have been through the '87 crash, the mini-crash of '89 and the Russian coup of '91, and they have learned not to panic in sharp drops in the market," he says.

Industry observers also believe that demographic trends will remain favourable for several years, attracting new investors. At the same time, employee pension plans, with an emphasis on mutual fund investing, are are expected to grow more popular.

Such factors encourage companies selling mutual funds to believe that, even if US interest rates start to rise or financial markets dip, the mutual fund industry will not be knocked off its confident stride.

Joe Rogaly

Stuck in the same old rut

It is too easy. Over the past fortnight the Liberal Democrats and Labour have prepared themselves for cohabitation. The repositioning of the left-centre has begun. Victory is assured. The Conservatives are wrung out, testy, ingloriously led. They have lost an ideology and are searching for a role. Worse, they are tired – tired of squabbling, tired of polemics, tired of office. Just watch them fall apart at their conference in Blackpool this week. All that remains is a wait of one, two or at a push three years and the new thinking of the 1990s will take over from the burnt-out remnants of the 1980s. Mr John Smith will be in Downing Street and Mr Paddy Ashdown, a controlling vote in his hands, in seventh heaven.

There is a case to be made for this somewhat unlikely story. It starts with the prime minister. Mr John Major's strategy for reunifying his party is that of a former whip. He wants to give something to his loudest opponents, who are on the right. Thus he confesses, more or less, that there can be no return to the exchange rate mechanism of the European Monetary System while the party is in its present schismatic state. Meanwhile he plods along the Thatcher trail, unaware of where the lady might have turned off, and carries on privatising and market-testing everything that moves.

This approach is out of date. Most of us are turning away from the anarchy that blinkered libertarians of the new right failed to foresee when they sought to create a minimalist state. Middle-class unemployment has ensured that. To take one example, when nobody can get academic tenure but everyone must accept short-term contracts and find their own funding, bang goes the support of intellectuals. Crime has rammed the point home: when everyone is a customer, and nobody a citizen, those who cannot pay smash windows. Society cannot work if *every* action within it is based on a cash transaction. People need a sense of security, continuity, civic comfort. There must be room for duty, responsibility, charity, professional pride, enduring institutions, structure.

One straw in this wind is the recent publication by the Institute of Economic Affairs of Dr David Green's *Reinventing Civil Society*, in which the author argues for a restoration of civic society, based primarily on voluntary welfare associations. That is a subject all of its own. My point today is that the IEA, the think-tank that led the way towards 1980s market thinking, is now publishing an argument to the effect that Thatcherism over-stressed the market economy at the expense of community. Another straw is Mrs Virginia Bottomley's attempt to delete the word "market" as applied to the NHS reforms. Yet another is the message put out by Labour's Mr Tony Blair, the shadow home secretary. The interests of the community and of individuals are intertwined, he says, and few of us forebear to cheer.

Crime rams the point home: when everyone is a customer, and nobody a citizen, those who cannot pay smash windows

Perhaps the most articulate exponent of this change in the political terms of trade is Mr John Gray, a Conservative philosopher and fellow of Jesus College, Oxford. I discussed his book, *Beyond the New Right*, earlier in the year. Yesterday he wrote in The Guardian that "the Conservatives have no coherent view of the functions and limits of market institutions". The "stagnant corporatism" of the 1970s was, he implies, rightly discarded. The result of this, plus seeing "government as the problem and markets as the all-purpose solution", is that "British conservatism today has nothing to say about the political task of the age, which is reconciling the subversive dynamism of market institutions with the human need for local rootedness and strong and deep forms of common life".

I would disagree with his characterisation of British conservatism as anything nearly so coherent. There is the market-besotted right, and there are the rest. The fault-line lies a millimetre to the left of Mr Michael Portillo, who spoke up recently in favour of the Judeo-Christian ethic of helping individuals help themselves. That line bundles a great many Tories into the territory inhabited by everyone else: in favour of markets, but worried about unemployment, social disintegration, the latter-day destructiveness of the Thatcher-initiated revolution.

Former Conservative voters are turning to the Liberal Democrats, while Labour becomes less frightening, less obviously subservient to unions. The latter are more popular. It may become safe to vote Lib Dem, even if it puts Labour in. So runs my likely story.

It may be a fairy story. The Tories have time to pull themselves together before the next general election. The current cry in Blackpool is that this is the week in which to support the party and cheer its leader. It may not last the week, but over the weekend the mood began to turn against dissidence. It may become less chic to be a destructive complainer. What the party managers want us to believe is that this is a turning point for Mr John Major. Perhaps it is. He can hardly sink much lower in the opinion polls; nor can the Conservatives. There is nowhere to go but up – isn't there? Technically speaking, the election can be postponed until April 1997. That is an exceedingly long time in politics.

Anyhow, the Lib-Labs are not exactly close to perfection. The Liberal Democrats have been exposed as rampant opportunists. Labour has been seen to be clinging in ever closer embrace to its trade union parents. Do not misunderstand me. Mr John Smith deserves the applause he received for risking his authority on a vote in favour of reducing the influence of trade unions in parliamentary selection procedures. He was brave, and he got a good press for it. He did, however, pay a high price, partly in promises of legislation that will protect employees but discourage employers from taking them on, and partly by demonstrating that the horse-trading of union votes is still what Labour is about.

In a hung parliament, if there is one, Labour might be accepted as the only possible match for desperate Liberal Democrats. Yet what happened at Brighton was a setback for Labour's modernisers. The cry for "strong and deep forms of common life" will not be stilled by the lullabies of the 1960s and 1970s. Lab-Lib must do better if it is to be sure of defeating even the pathetic bunch of dispirited Tories gathering here in Blackpool.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Evidence of Bundesbank role inconclusive

From Mr James Forder.

Sir, Your article on Hans Tietmeyer ("Changeover at the Bundesbank", October 1) is accompanied by a chronology of the Bundesbank which records several public disputes between government and bank. Since the Bundesbank usually won, it might give the impression that central bank independence is part of the story of the long period of west German economic success.

However this evidence would not be conclusive even if the bank had been right on every issue. In an environment where decisions are taken by the bank, politicians can take the opportunity to criticise policy without having to be responsible for changing it. That does not mean that they would change it if they could. This behaviour also occurs in the US where Congress, although it has no power over the Federal Reserve, often debates monetary policy.

After a dispute in 1972, however, as you say, finance minister Karl Schiller resigned. He clearly wished to challenge the Bundesbank's policy, but what were the motives of the bank? More than one scholar of German policy has recorded the opinion that the Bundesbank deliberately picked a fight with Schiller because it found him uncongenial. Indeed, the bank adopted Schiller's policy once he had resigned.

This kind of distortion both of economic policy and of the democratic process should not be counted a benefit of central bank independence.

It should make us reject the idea forthwith.

James Forder,
lecturer in the economics of European integration,
St Peter's College,
Oxford OX1 2DL

Industrial gas competition

From Mr David Green.

Sir, David Lascelles ("Hot air rises around cool decisions", September 29) rightly highlights the shifting positions in the debate about the future of British Gas. I was, however, interested to note that industrial gas consumers can now get gas at 15 per cent less than BG supplies it at. Would that this were entirely the case.

Prior to the Monopolies and Mergers Commission inquiry, the Office of Fair Trading set a target to reduce BG's share of the industrial and commercial gas market by some 60 per cent, in order to allow in new competitors. A likely result of this is that the price of interruptible gas supplies may now go up. Indeed a number of the new players in the gas market actively predict this.

Such a situation results from BG not needing to have its future largely governed by the price set in the interruptible market, and from the fact that, as its overall market share shrinks, its ability to offer low-price interruptible gas to balance demands elsewhere will also decline. Rising interruptible gas prices will not only adversely affect much of industry, it will also limit the spread of combined heat and power at the very moment the government is actively promoting its wider use to curtail carbon dioxide emissions.

A further aspect of the post-MMC process is the impact the changing nature of the BG tariff market will have on the government-backed Energy Saving Trust, whose revenue critically depends on the pricing formula for the tariff market. The trust is a centrepiece in the government's environmental strategy – if the tariff market is open to all comers, can we expect new entrants to sign up to the regulatory formula which underpins the trust's activities?

When the DTI comes to make clear its position, there will be more at stake than competition alone.

David Green,
director,
Combined Heat and Power Association,
35/37 Grosvenor Gardens,
London SW1W 0BS

No theatres victim of review

From Mr Anthony Everitt.

Sir, I enjoyed Anthony Thorncroft and Richard Fairman's assessment of the future of London's orchestras ("The men of violins fight for the loot", September 25). On the whole the piece was incisive and well researched.

However on the subject of theatre funding your correspondents were less accurate. To set the record straight, the Arts Council has never announced that a number of theatres would have their grants withdrawn as a result of the artistic review. This supposition was merely speculation which gained credence through inaccurate reporting.

Your correspondents are correct, however, to identify the enormous public support for the arts in the UK which was prompted by this speculation – support which, I hope, will remain with the Arts Council as we and our colleagues in the arts fight against the proposed £5m cut by government which may well result in irreparable damage to those very theatres and arts organisations which are so vital to our cultural life in Britain.

Anthony Everitt,
secretary-general,
The Arts Council of Great Britain,
14 Great Peter Street,
London SW1P 3NQ

Tangible to the opposition

From Mr David Damant.

Sir, Gerry Boon (Accountancy: "No room for own goals in financing soccer's future", September 30) suggests that football clubs might enter players on their balance sheets as intangible assets. Players certainly meet the definition of an asset and should be capitalised (not to show the value of the business but as a record of the transaction). But *intangible?* As the opposing team.

David Damant,
Credit Suisse Asset Management,
Beaufort House,
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London EC

Lethal cocktail exacerbating economic problems in Africa

From Mr David Bryer.

Sir, World Bank President Lewis Preston (Personal View, September 27) is right; the magnitude of sub-Sahara's deepening crisis presents the international community with a formidable development challenge. The question is, are the policies of northern governments, the World Bank and the International Monetary Fund capable of meeting it?

Not if proceedings at the World Bank-IMF annual meeting are anything to go by. Yet again, northern governments missed an opportunity to address sub-Saharan Africa's debt crisis, with British efforts to secure agreement on a plan to write off two-thirds of the region's debt foundering on Japanese resistance. The upshot is that debt servicing will continue to drain the region of $10bn annually, or a quarter of export earnings. These resources are desperately needed for investment in health, education and the physical infrastructure vital to economic recovery.

With an average debt-to-export ratio of 400 per cent, higher than for Latin America during the worst days of its debt crisis, the chances of sub-Saharan Africa attracting the private capital which Mr Preston regards as vital to recovery are negligible. That is why Oxfam is calling on the World Bank and northern governments to increase diplomatic pressure on Japan to comply with the Trinidad terms. As your leader of September 28 ("Debt relief cannot wait") rightly observes, debt write-offs alone will not resolve Africa's crisis. Equally urgent is a review of structural adjustment programmes, designed and implemented under World Bank and IMF tutelage.

Nobody with a concern for Africa can deny the case for adjustment, or the damage inflicted by policies such as over-valued exchange rates, blanket protectionism of inefficient industries, or the heavy taxation of peasant producers by state marketing monopolies. However, adjustment policies are manifestly not establishing a platform either for sustained economic recovery or for successful poverty alleviation. This is reflected in the fact that investment levels in countries undergoing adjustment are lower than in 1980, and in the persistence of high inflation and unsustainable budget deficits.

The IMF's dogmatic attachment to reducing inflation through punitive interest rates, and to rapid import liberalisation, provides part of the explanation for this failure. Across the region, a lethal cocktail of rising costs and cut-throat competition from abroad has caused mass unemployment, and the collapse of labour intensive industries across the region. In many countries, it is the resulting shortages of goods, rather than lax monetary policy, which is fuelling inflation.

Oxfam believes that African governments, northern governments, non-government organisations and the World Bank should unite around a new agenda for recovery and social justice. That agenda must enshrine a commitment to debt relief, and to redistributive policies which enable poor people to benefit from market reforms. Without that commitment, Africa's accelerating descent into social and economic catastrophe will continue uninterrupted into the next century.

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FINANCIAL TIMES
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Tuesday October 5 1993

The final argument

IT LOOKED bad. The parliament building ringed by tanks, firing shell after shell at its plate glass windows. Inside, a huddled rump, the elected representatives of the people. Outside, a president who tears up the constitution, uses the army to impose his authority, and suspends opposition newspapers, egged on by the leaders of the "free world".

It is bad, but that does not mean that Mr Yeltsin or his western backers are wrong. It is tragic that the post-Soviet power struggle in Russia had to be resolved in this manner, but it is not really surprising. What has been surprising up to now is the reluctance of almost all Russian parties to resort to force, and of the Russian armed forces to act as the arbiters of political conflict; and the widespread acceptance, in a country with little or no experience of democracy, of the idea that ultimately political power must be allocated by majority vote.

Yet that principle, however valuable, is not by itself enough to resolve all conflicts. So much depends on who votes, and when, and for what. Most democracies have written constitutions to regulate those matters; but more important than any text is a social consensus, derived from tradition, about how things should be done.

Vital principle

In Britain, for example, there is a clear understanding among all parties that, if the monarch dissolves parliament on the advice of her prime minister, it is dissolved and new elections will be held. If Mr John Major lost a vote of confidence in the House of Commons, he would not need to send tanks to disperse his opponents. The issues in question were decided in Britain centuries ago, by people who were quite prepared to use the equivalent of tanks when a vital principle was at stake. Might is not right, but right without might is inoperative. Force is and always will be *ultima ratio regum*: the final argument of kings.

In Russia, where these issues are now being decided for the first time, it is not surprising that that "final argument" has had to be invoked. The locus of legitimacy was not clear. Mr Yeltsin had solid grounds for believing it lay with him, and took care to establish that this view was shared by the commanders of the armed forces. But his opponents were not convinced until the final argument was deployed. Indeed, so sure were they of their own legitimacy that on Sunday they took the initiative in attempting to seize power by force.

The bloodshed that resulted is highly regrettable. But the outcome of the struggle is a matter of quite legitimate relief. Russia's crying need in present circumstances – and the overwhelming interest of the rest of the world – is for coherent government. It is not certain that Mr Yeltsin can satisfy it, but it is quite certain that his opponents could not.

Economic autonomy

Mr Yeltsin has won an important victory, even if at high cost. He owes it, to the dead as well as the living, to make sure that they have not died in vain. He must exploit his victory to the full, asserting his new-found authority not only in Moscow but throughout the federation. That does not mean installing a reign of terror, which would be repugnant to both Russian and international public opinion, and therefore counterproductive. It does mean dismissing officials who reject or ignore government decisions, and – much more difficult – replacing them with others who are competent as well as loyal. It means pushing ahead with the reforms that are giving economic autonomy to Russian individuals and firms. And it means organising new elections to settle the issue of legitimacy beyond doubt.

Mr Yeltsin was said yesterday to have come round to the view that presidential and parliamentary elections should be held simultaneously. That would certainly be preferable to prolonging the agony, with a six-month presidential campaign straight after a three-month parliamentary one. Mr Yeltsin's victory yesterday will be pyrrhic indeed if he ends up with a new parliament no more co-operative than the one he has just forcibly dissolved. He has not got time to build a fully structured party. But he can and should endorse a full slate of candidates pledged to support him and his programme – so that voters have a chance both to choose a president and to give him a majority he can work with.

Tightening up internal controls

THE WORDS "internal controls" act like catnip on accountants: they produce a frenzy of enthusiasm, sometimes for reasons not entirely clear to the outside world.

Just such a surge of excitement was created by one of the recommendations of last year's Cadbury committee on corporate governance. "The directors should report on the effectiveness of the company's system of internal controls," said the Cadbury code.

Since then, an accountants' working party has been fleshing out the details. Its report appeared last week, under the auspices of the Institute of Chartered Accountants in England and Wales. Already, critics are complaining about the catnip effect.

The report is a long one: six chapters, six appendices and 67 pages. It is detailed, prescriptive and wide-ranging. It includes, for example, the question of how a company seeks to enhance the expertise of its staff, communicate its ethical guidelines, "evaluate and counsel staff on a formal basis", and assess the risks of technology, currency fluctuations or corporate acquisitions.

The recommendations have immediately been criticised: too bureaucratic, too detailed, impossible to implement, say the critics, who include finance directors of some of Britain's biggest companies.

Some such opposition was always likely. Much of the original Cadbury report was about the top-dressing of company life: the structure of board committees, the role of non-executive directors, and so on. The internal controls issue reaches deep into the workings of Britain's companies, and correspondingly stirs up more resentment.

Nitty-gritty

Both sides in the argument have a point. From the accountants' point of view, internal controls are the vital link between the good intentions of a Cadbury-conscious board and the nitty-gritty of daily business practices. Without proper internal controls – and a "control environment" of honesty and commitment throughout the company – the governance reforms are a waste of time.

From the critics' point of view, the report is yet another example of non-economic thinking. Companies are constantly urged to improve this or that internal monitoring system – environmental, equal opportunities, legal compliance, and now financial controls – on the grounds that their objectives are absolute goods, requiring no further justification.

Yet all internal systems, for control or information, impose costs on the company, its customers and its shareholders. Collectively, they impose a cost on society which may be equal to or greater than the sum of the benefits they provide. Advocates of better control and monitoring usually place little weight on this possibility; the theme gets only six lines in the working party report.

Financial scandals

There is plenty of time for the critics to seek to influence the shape, tone and details of the working party document: the deadline for comments extends to February next year. As part of the discussion process, it is worth remembering lessons from the financial scandals that led to the Cadbury report in the first place.

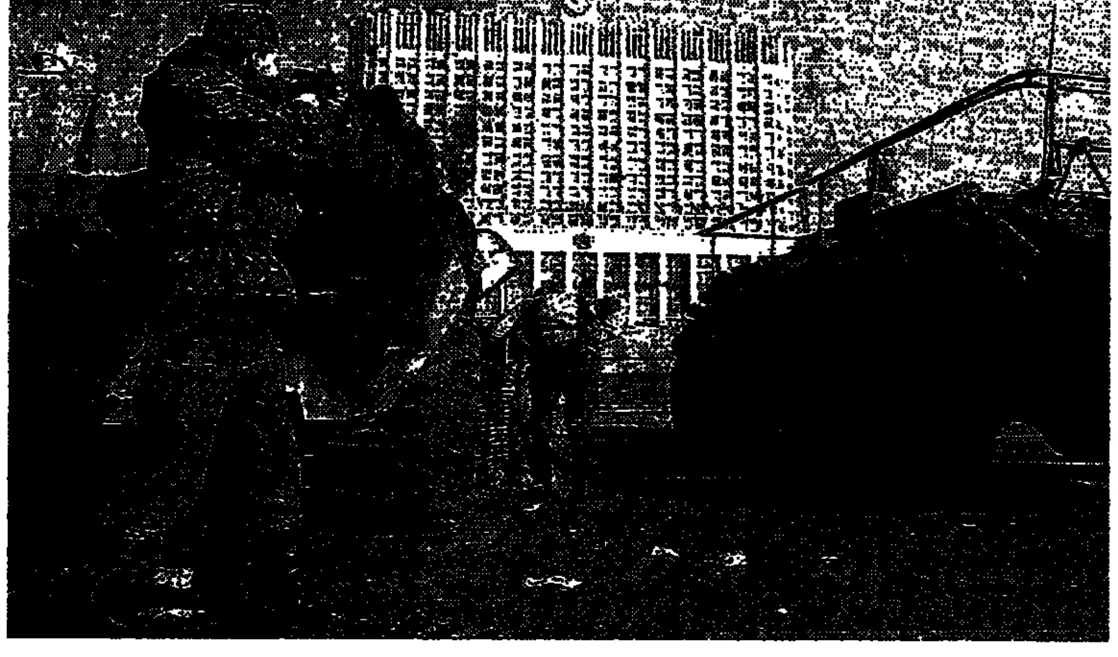
One common theme of the Maxwell and BCCI affairs – and of other, less spectacular crashes – was the ability of top managers to distort and manipulate the most vital records of the companies they led. In the BCCI case, for example, loan details were falsified; at the Maxwell companies, transfers of pension fund assets were recorded incorrectly.

In these and other cases, the rest of the directors displayed an apparent lack of responsibility for the proper functioning of internal controls. This fully justifies Cadbury's aim of giving directors specific responsibility for assuring themselves that the company keeps proper financial records.

It would not, however, justify an overly detailed set of recommendations about how directors should carry out and report on this task. If the working party has gone too far towards detail and complexity, the comment period creates an opportunity for revision. But internal controls matter, to shareholders as well as accountants, and it is important to get directors' responsibilities for them spelt out clearly. There is more than catnip here.

Parliament's defeat might tempt Yeltsin to prolong autocratic rule and delay reform, says **John Lloyd**

Victory for all the president's men



Associated Press

House on fire: 'Our task,' said General Dmitri Volkogonnov, 'is to clean these *fascist* bandits out of parliament'

In retrospect, what had seemed on Sunday a rout of the forces of President Boris Yeltsin by the pro-parliamentary mob on the Moscow streets was, wittingly or not, a bloody but brilliant trap.

Released from their 12-day confinement in the White House, the parliament building, the defenders, led by ex-General, ex-vice-president, acting President Alexander Rutskoi, launched themselves on the mayoral offices and the Ostankino TV centre. Their easy success at the mayoralty – from which the riot troops fled ignominiously – made them drunk with success (some were already literally so). Their attack on Ostankino, initially partially successful, was halted late last night and by early yesterday morning repulsed.

From 7am, divisions loyal to the president had removed any doubts as to their willingness to fight fellow Russians – blasting away at the White House with enthusiasm, blackening its shining façade in hours. From the president's men came a steady barrage of propaganda, identifying those within the building as criminals, communists and fascists: "Our only task," said General Dmitri Volkogonnov, Mr Yeltsin's military adviser, "is to clean these fascist bandits out of parliament and out of Moscow."

Mr Yeltsin's TV appearance early yesterday was almost contrite. His weakness, he said, was in being over-patient, not prepared for the ferocity of his opponents. He had taken a calculated risk, but his citizens could well ask why he was not prepared, given that the omission caused many deaths. However, he knows well the psychology of his fellow countrymen and women, which tends towards pity for the underdog and the victim – a fact which inhibited him from attacking parliament building before it clearly revealed itself as the aggressor.

Before and during his troops' recapture of the White House, his moderate opponents were forced to choose – and chose him. Mr Grigory Yavlinsky, the most prominent candidate for Mr Yeltsin's job when elections are held, called on him to attack the parliament ruthlessly. Mr Yevgenny Ambartsumov, head of the parliament's foreign affairs committee, who has been consistently critical of the president, said: "His weaknesses are well know, but now we don't have a choice: we support the president." The sight of armed bands roaming Moscow's streets, prepared to capture, beat or kill mayoral aides and TV staff, flaunting communist or fascist banners, sickened all but the most hardened anti-Yeltsinites.

Once more, Mr Yeltsin has shown he is a good man in a tight corner. But this time he has also shown that he, or his advisers, can construct and execute a plan successfully. Preparing the ground with visits to the crack divisions around Moscow (exactly those that came to his aid); giving an elaborate display of willingness to compromise with parliament; insisting on constructing a government and a team from one spectrum of politics (at the cost, of course, of confusion in economic policy) – all of these came to serve him well.

He has waded through blood, but he can plausibly say he had no choice. The hard fact is that he has probably benefited from so doing.

Communism has been convincingly identified with violence, extremism and its supposed opposite, fascism. The flag most in evidence around the White House before the attack, the most common banner on the victorious marches on Sunday, was the red flag. Its more moderate supporters claimed they were fulfilling part of their old duty of protecting the wretched. Now, they have supported an uprising which claimed many victims – and which failed.

To be sure, the spectacle – watched up close by many in Moscow – of armour pounding parliament, roused feelings of sympathy for the people inside. But the winner in Russia still takes, if not all, a great deal: and one would expect many of the regions, shorn of a federal parliament with which to ally themselves, to seek an accommodation with a victorious president. The neighbouring states, led by Ukraine and Lithuania, yesterday reaffirmed their support for the "democratic forces" under the president. They had little choice, since his opponents were increasingly clear that they wished to resurrect the Soviet Union from which the states had escaped. The regions, still to respond, will also have to live with President Yeltsin, and few will see much profit in continued principled opposition.

If he goes to an election quickly – and the Interfax news agency, citing his advisers, yesterday said he now thought he should have simultaneous presidential and parliamentary elections in short order – he can probably win as a law and order president. There is, again, the risk of his losing as a slayer of Russians and a destroyer of the constitution. But if he continues to insist that he wants to construct a new democracy, he may convince many of his citizens to support him, because in the main they simply want peace and elementary order.

It is here, of course, that the largest danger lies – one which has been imminent since he closed down parliament and thus precipitated this turn of events two weeks ago this evening. The threat is of a president who finds the exercise of sole, untrammelled power attractive, and who convinces himself and his circle – or is convinced by his circle – that the prolongation (temporary, of course) of presidential rule is best for the country.

This passage of arms gives him cause to think so. Here was, it seems, a monstrous and murderous conspiracy to overthrow the state with armed force. As Gen Volkogonnov and Mr Sergei Filatov, the president's chief of staff, said yesterday, the "mopping up" operations of armed extremists in Moscow and elsewhere will take some time – a curfew has already been imposed. Mr Yeltsin has banned all groups which took part in the defence of the White House, and frozen their funds. Mr Yuri Afanasiev, the veteran radical democrat who was at the forefront of perestroika under Mr Mikhail Gorbachev and who deserted Mr Yeltsin because of his lack of commitment to reform, sounded doubtful yesterday: "I hope we can get through this to democracy: if the president can manage this, we may yet build a secure foundation for it – but everything now depends on him."

Everything now does indeed depend on him and on his advisers and ministers. In removing parliament he has cut out a poison, but not yet cauterised the wound. If left to gape, it could fester well beyond Moscow. After the exhaustion of the past few days, he must again gird himself to give new impetus to reforms which will produce no quick results, but without which his country could more easily fall to the forces defeated yesterday.

History is replete with dictators who destroyed or rendered servile their popular assemblies in order to have unimpeded power. Mr Yeltsin claims to be an exception. He has acted, he says, not to rule without hindrance but to construct a balanced division of powers on a democratic basis. His case is also that the parliament – which originally elected him, supported him, then turned against him – is a remnant of an irrelevant communist past.

This claim is at once full of sense and full of danger. Many ordinary people, by their testimony on the streets, find Mr Yeltsin threatening – both because he has smashed the countervailing power and because he ploughs on with reforms which they cannot understand and from which they do not benefit. On the bridge overlooking the White House yesterday morning, as the shells crashed into its walls, Mrs Yevgenia Zaglyadina, a middle-aged teacher, was semi-hysterical: "Look, this is fascism; this is how it comes," she said. "This is its victory. Yeltsin is at its head." Now, Mrs Zaglyadina and others have no choice: there is no one else in a position of independent authority in whom they can place their trust.

Mr Yeltsin has survived a test of fire. He faces the longer, less controllable test of bringing together, constructing and letting grow new – and opposing – forces which will form a new Russia. The shedding of blood – and the toll will be many hundreds – will be of some value if this massive task is accomplished through its sacrifice.

A blueprint to reshape government

PERSONAL VIEW

Vice-president Al Gore's initiative to reinvent US government has been criticised for being tame. This is unfair. His proposals to decentralise, cut red tape, empower and expose bureaucrats to competitive tendering are clearly desirable, if scarcely revolutionary.

The risk is that the reformist thrust will before long lose its momentum, and the old bureaucratic habits reappear. The problem is global. Just as the Gore initiative revisits ground trodden by President Reagan's deregulators, so Britain's prime minister John Major, when he presents deregulation as a main theme of this week's Conservative party conference, will be revitalising Lord Young's deregulatory thrust of the 1980s.

The propensity of bureaucratic empires to regroup and expand is at the centre of the public choice school of economic analysis pioneered by US economists James Buchanan and Gordon Tulloch. Yet their followers have failed to devise a new model of government that would curb the growth of bureaux, build in opportunities to choose between potential providers of government services, and define more tightly what politicians and public want officials to deliver.

In one relatively small country the tribulations of the 1980s led to the invention of a means to achieve these objectives. New Zealand is well known for its liberalising "Rogernomics", pioneered by finance minister Roger Douglas, which helped turn round its economy in the 1980s. In the 1990s it may become even better known for a sophisticated redesign of its entire machinery of government.

In the new framework, a policy is no longer a vague notion, linked loosely, if at all, to what departments actually do, frequently at odds with available resources and disconnected from desired goals. Every department now has a weighty, costed, line-by line "purchase agreement" with its minister. And not only does the minister explicitly purchase policies from the department, but the former departmental permanent heads, now renamed chief executives and on fixed-term contracts, are personally accountable for departmental delivery.

The secret of the New Zealand formula is that it sharpens and clarifies at every stage what government thinks. First and foremost, it puts new pressures on ministers to clarify their own objectives – the desired "outcomes" of their work – clear them with colleagues, and vote proper resources and establish political priorities. Not all ministers find that this comes naturally, but the obligation to sign a contract with their department specifying its tasks for the year ahead concentrates the mind. What seemed like a rod for the bureaucracy has become a healthy discipline for politicians, and a disincentive to seat-of-the-pants short-termism.

The secret of the formula is that it sharpens and clarifies at every stage what government thinks

The ministerial purchase contract is incorporated within a performance agreement with each departmental chief executive. It sets out the key areas for which the chief executive is accountable. Chief executives have autonomy to run their departments and hire and fire, as never before. The *quid pro quo* is tough reporting requirements.

The model contract supplied by the system's watchdog, the State Services Commission, runs as follows: "As chief executive I will provide a written report to the minister against all parts of this agreement in writing as soon as possible after the end of each quarter. This report will include an executive summary which identifies any significant variations of actual against target performance, what specific action will be taken to address under-performance, and set out in a more detailed report what was expected and what was delivered."

Not every chief executive is thrilled by the new regime. It provides, after all, just the sort of targets, monitoring techniques, incentives and performance measures that prevail in the business world but are anathema to many public servants worldwide. But politicians of all stripes are beginning to recognise the system's potential to squeeze better value for every taxpayer dollar. Introduced by Labour, the system has been reviewed, endorsed and developed by the National party. Invented by high-powered Treasury officials in response to New Zealand's crisis of the 1980s, it is more than a patch-up, providing a new intellectual understanding of government as a series of defined and enforceable contracts.

For Al Gore, John Major and politicians across the world struggling to squeeze more performance out of creaking governmental systems designed in the last century, New Zealand's redesign points the way.

Graham Mather

The author is president of the European Policy Forum, an independent think-tank

OBSERVER

A way with water

■ When Bob Thian left school at 16 with two years to kill before being allowed to take up his university place, he initially played jazz at a night club. Tiring of that, he then took himself off to Geneva University where he had intended just to try a few law courses. He didn't return to the UK to work until he was head-hunted for the top job at North West Water some 30 years later.

In a hurry now as then, Thian is bound shortly for Mexico to celebrate his latest international deal, providing water services to 2m inhabitants of Mexico City. North West is already immersed in projects from Malaysia to Australia, easily outstripping its other UK rivals on the international stage.

One other British company has bid on every deal in which North West has taken part, and has yet to win anything.

Working first in Switzerland as a barrister, Thian then spent 23 years in the pharmaceuticals business, with Glaxo, Abbott Laboratories of the US and the Danish company Novo Industri. When the head-hunters called about North West Water, he says he thought they were having him on.

Soon warming to a new industry, he attributes his globe-trotting success to "team work" and a "dislike of losing".

Building what he calls "a portfolio of regulators" to reduce dependence on the UK authorities, he has focused on 10 more countries into which he wants to take North West, five of which he admits are "very long-term" prospects, with just one staffer beavering away.

Picked for their political and economic stability, these potential project locations were selected shortly before the April 1992 domestic elections.

If North West had been judging Britain by the criteria it applied to the others, this country would not have been one of the chosen.

DC mafia

■ When Britain's Sir Nigel Wicks takes up the chair of the European Community Monetary Committee he will be joined by another old Washington hand at the top of the secretive EC body.

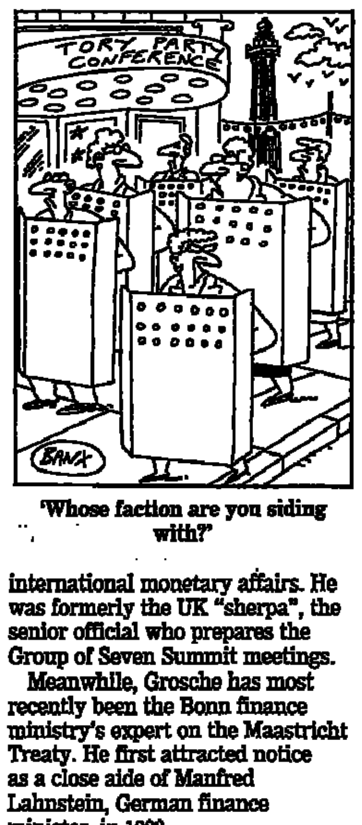
For later this month, Günter Grosche, currently the German finance ministry's expert on European Monetary Union, moves to Brussels to head the committee's permanent secretariat.

Wicks and Grosche know each other from when they were respectively British and German executive directors of the International Monetary Fund in Washington.

Both high-fliers. Sir Nigel is second permanent secretary in the Treasury and so responsible for international monetary affairs. He was formerly the UK "sherpa", the senior official who prepares the Group of Seven Summit meetings.

Meanwhile, Grosche has most recently been the Bonn finance ministry's expert on the Maastricht Treaty. He first attracted notice as a close aide of Manfred Lahnstein, German finance minister, in 1982.

It will be intriguing to see how relations now develop between the European Commission and the Committee, which is mainly made up of senior officials from EC member states' finance ministries and central banks. Wicks in particular is no friend of Euro-federalist views and he takes over as chairman after a period when relations with the Commission have occasionally been fraught.



'Whose faction are you siding with?'

Lasting supper

■ Guess who's coming to dinner? The Tory party hierarchy has stepped up its campaign to persuade Lady Thatcher to keep her vow of silence during this week's Blackpool conference.

Sir Norman Fowler is hosting a very private dinner for her on Wednesday evening. It should help to keep her in good humour for her appearance on the platform during Kenneth Clarke's speech on the economy the following morning.

So who these days gets invited to such exclusive gatherings? Observer can reveal that Charles Hambro, Maurice Saatchi, John and Penny Gummer and Lady Wakeham have all accepted. But there are still one or two places going spare.

Any suggestions?

In for a penny

■ Far from constituting its own reward, virtue can leave you distinctly out of pocket these days, as Colin Forsyth discovered last month.

Forsyth, a founder director of the insolvent insurance group London United Investments, had tried everything he could think of to chivvy the Department of Trade and Industry into finishing its investigation into LUI.

Almost three years since the inspectors began their work, Forsyth got wind towards the end of September that the investigation had finally been completed. As one of the only two remaining directors, he awaited his pre-release copy for comments and suggestions with not a little interest. But nothing materialised.

So he phoned the DTI yet again, to be informed that, had he been reprimanded or severely criticised in the report, he would naturally have received an early copy, *gratis*, so that he could make a rebuttal, or if necessary, prepare a defence in law. Since he did not fall into this category, the DTI added brightly, he would have to pay the full price, £36 a copy.

Backlog

■ Light at last on one of the mysteries of British Rail's operations – why, whenever it alters its running schedules, the new timetables are never available to travellers until after the changes have been put into force.

Asking the question at a suburban ticket office, a reader was told: "It's the timetables department; they work to a 25-hour clock."

FINANCIAL TIMES
Tuesday October 5 1993

Island's future as offshore centre at stake

Finance industry fears haunt Bermuda polls

By Richard Lapper in Hamilton, Bermuda

BERMUDA goes to the polls today amid claims that an opposition Progressive Labour party victory might undermine the growth of the island's offshore financial centre.

The moderate PLP, which derives most of its support from Bermuda's 60 per cent majority black population, needs to capture six more seats in the 40-seat legislature to form its first government.

The PLP insists that it wants to keep and develop the UK dependent territory's offshore insurance and investment businesses. In the past 12 months some $4bn has been pumped into new Bermudian reinsurance companies by international investors.

Mr Frederick Wade, the PLP leader, says: "No government would last a week if they tried to mess around with the industry."

The party simply wants to implement more effectively an existing government policy giving Bermudians first choice for jobs when they have the necessary qualifications and experience, he says. The PLP wants to create a new ministry to "troubleshoot" on behalf of international companies.

But business leaders, who almost unanimously support the ruling United Bermuda party, are concerned about the PLP's ability to manage an economy now equally dependent on the earnings and jobs generated by tourism and offshore finance.

Mr Jeffrey Conyers, who heads First Bermuda Securities, a local securities firm, says: "Whether it is justified or not, people have jitters."

Offshore reinsurers are attracted by the Atlantic island's record as a light but reputable regulator, and the absence of taxes on income and profits. However, offshore centres elsewhere, such as the Cayman Islands, offer many comparable advantages.

Mr David Saul, the finance minister and head of the local subsidiary of Fidelity, the US fund and investment management group, plays up the significance of former links between the PLP leaders and Sir Lynden Pindling, the former prime minister of the Bahamas.

Sir Lynden's aggressive economic policies led to a rapid contraction in his country's offshore financial sector in the late 1960s.

Mr Wade says the allegations of "Pindling economics" are "bogeymen" created by the ruling party to confuse the electorate. He is fiercely critical of the UBP's economic management, which has seen a 6 per cent contraction in gross domestic product since 1989 and a sharp rise in unemployment, now estimated at about 5 per cent of the workforce.

However, Bermuda's recent difficulties have much to do with external factors, such as fewer tourists due to recession in the US.

Tourist numbers are expected to bounce back by about 10 per cent this year, and GDP to grow modestly. Politicians of all parties agree that Bermudians – who have one of the highest rates of GDP per capita in the world at more than $25,000 – usually vote with their wallets.

Sweden plans company tax reforms to spur expansion

By Hugh Carnegy in Stockholm

SWEDEN'S centre-right government announced corporate tax reforms yesterday designed to encourage business expansion and reduce a record 13 per cent unemployment rate.

Under the proposals, to be put to parliament this month, the basic rate of corporate tax will fall 2 points to 28 per cent; taxes on dividends from Swedish companies will be scrapped for Swedish residents; and capital gains tax on equities will be halved to 12.5 per cent. Tax rules for small non-incorporated businesses will also change to bring about lower rates on capital yields and retained profits.

Mr Bo Lundgren, deputy finance minister, said: "The idea is to make it profitable to expand businesses and to start new businesses. We are taking away obstacles to growth."

With the budget deficit likely to rise to 15 per cent of gross domestic product next year, the changes are to be fully financed. Just over half the SKr3.3bn ($412m) cost of the tax cuts – to take effect from next January – has been accounted for in the 1993-94 budget. The balance will be financed mainly by raising employer social security contributions from 30 per cent of employees' salary to 30.2 per cent and partly by cuts in individual tax allowances for days spent working abroad.

The change is the most far-reaching in the corporate tax regime since 1991, when the Social Democratic government cut the basic rate from 52 per cent to 30 per cent and largely dismantled an elaborate system of tax write-offs. The Social Democrats, now in opposition, persuaded the government last year to postpone reforms because of the pressure the recession has placed on welfare programmes.

Russia

Continued from Page 1

Mr Yeltsin has already decreed that the Federation Council must be subordinate to him, with no authority at present to act independently. Mr Sergei Filatov, his chief of staff, said earlier in the day that elections were needed for the regional councils – bodies which Mr Yeltsin had, before the siege, said would be exempt from elections.

Interfax, quoting presidential aides, said that Mr Yeltsin was now rethinking his earlier opposition to simultaneous elections for the presidency and the new parliament - and would discuss the issue with regional leaders today.

Blood and devastation

Continued from Page 1

ers' side. This meant there were many victims within the parliament building.

The nine-hour battle attracted a huge crowd of onlookers. The bolder ones surged forward to near the line of fire.

The more fearful hung back. Only sporadic attempts were made by the troops to stop them getting closer. The young soldiers manning the tanks periodically snarled at them to get back, but the spectacle was too engrossing to make the prohibition stick.

It was clear from midday that the resistance within the White House was barely more than token. Sporadically, a flash of fire would appear at an upper window of the 19-storey building. Invariably, it was answered by heavy machinegun salvos, even shells fired from tanks. Snipers from the mayor's office, recaptured from the parliamentary side earlier, kept up steady fire on the upper windows.

Around 5pm it was over. The taking of the White House, never dared by those who staged the August 1991 putsch, was a hellish battle – of those who had grieviously miscalculated, or pushed their defiance too far, or who really believed that the principles they espoused were worth facing death. For whatever reason, many found it.

Hopes fade for Madrid's wages agreement

By Peter Bruce in Madrid

DOUBTS are growing in Madrid that the Spanish government, the two main trade unions and the country's main employer federation can reach agreement on a much vaunted three-year wage moderation pact.

Following his narrow election victory last June, prime minister Felipe González made the achievement of a "pacto social" – agreement on wages, pensions and labour market reform – central to his efforts to help the economy recover from recession.

But in three weeks of carefully structured talks before the 1994 budget was presented to parliament last Thursday, little headway had been made.

The government, frustrated by the lack of progress on pension increases, civil service pay and unemployment benefits, simply put its own figures in the budget and now says these are not alterable.

The budget figures include a civil service pay freeze next year, cuts in benefits and a less generous calculation of the way pension increases will take place next year.

Angry union leaders have already threatened "mobilisation" programmes to scare the government into softening its stance on some of these policies as the budget makes its way through parliament between now and the end of the year.

Yesterday the three sides began a second phase of talks aimed at securing a three-year public and private sector wages agreement and a sweeping reform of many of Spain's rigid old labour laws that make it one of the most expensive places in Europe to dismiss staff.

Foreign investors, who in the past few months have invested heavily in the bond markets on hopes of Spain achieving this social pact and, consequently, being able to bring down interest rates, are watching this round of talks carefully.

But some senior government officials believe that the atmosphere has been so soured by the failure of the pre-budget talks that there is little hope of agreement.

The government believes it may no longer need a wages deal to stave off further pressure on the peseta. The economy is likely to begin growing again next year, according to budget forecasts, and the markets have been impressed with a budget promise of a real fall (1.3 per cent) in central government spending next year.

Foreign analysts also reacted well to the government's decision to impose its own 1994 pensions, benefits and civil service pay targets in the budget after talks with the unions dragged on for too long.

THE LEX COLUMN

BNP's prix fixe

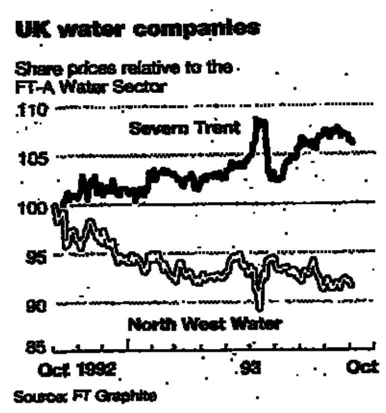
It was always a safe bet that the first French privatisation stocks would be priced cheaply to guarantee success. But the FFr240 a share price tag attached to BNP dropped off the bottom of most investors' ready reckoners. With so much at stake, the government clearly felt it could take no chances. The generous retail allocation suggests it was especially keen to entice private investors who were badly burned after the earlier wave of French privatisation. Still, BNP's new shareholders will have to be patient. The bank, which last reported a 61 per cent fall in interim net profits, may not return to growth until 1995.

Some distinctly Gallic twists to privatisation appeared yesterday which are likely to characterise the whole programme. The incestuous clutch of French industrial groups to appear on BNP's share register will doubtless help ensure the stability the government so craves. French companies with huge debts may see additional attractions to buying stakes in one of their main creditors.

One intriguing aspect, though, is the emergence of foreign investors as core shareholders, with the Kuwait Investment Authority, Roche, and GE of the US most striking among them. BAT Industries, too, was among the favoured few. Its financial services arm no doubt relished the chance to buy a worthwhile chunk of one of Europe's biggest banks. But its tobacco business was probably just as keen.

With the state-owned tobacco monopoly Seita soon to be privatised, what better opportunity could BAT have had to win friends and influence in France's financial corridors?

FT-SE Index: 3067.7 (+28.4)



Source: FT Graphite

UK equities

It is a measure of the resilience of UK equities that the market was not prepared to retreat on the threat of civil strife in Russia, but advanced as the crisis was resolved. True, the rise in the FT-SE 100 index was led in the futures market and the lower echelons of the cash market were left trailing. But that need not undermine the significance of yesterday's rally. If overseas investors are taking positions for the fourth quarter and the new account, the futures market may simply be the first port of call.

That said, there was nothing in yesterday's consumer lending figures which might rekindle hopes of an interest rate cut to please the faithful at the Conservative party conference. The picture is not as rosy as the headline net borrowing figure suggests. Finance houses gained business from the strong new car market. The rush to take advantage of favourable credit terms from motor manufacturers could easily dwindle as special offers are withdrawn. Credit card companies – probably a better indicator of overall consumer confidence – saw net repayments in August. With retail sales on an upward trend and narrow money growing faster than the government's target range, though, the chancellor still has good reasons for delaying any rate cut.

UK water

It will take more than a few overseas contracts to convince that North West is among the winners in the UK water sector. Potential earnings from its Mexico City contract are a drop in the ocean compared with profits generated by its regulated utility business. The performance of the shares in the run-up to next year's regulatory review suggests that the market sees the balance of risk and reward closer to home. A poor unregulated business in the shape of Biffa has not stopped Severn Trent outperforming on the strength of its main water operations.

With one of the biggest capital expenditure programmes in the second half of the decade, North West is certainly exposed to the outcome of the review. South West and Anglian are in a similar position. If Ofwat allows the companies to earn a generous rate of return on new investment, high spending might translate into high profits. But investors nervous of regulatory risks are more likely to favour companies with relatively low spending plans and strong financial ratios. Severn Trent fits the bill, as do Southern, Wessex and Welsh.

With the regulator's opening shot still a month away, though, placing bets now can be based on little more than gut feel. Importantly, the government has not yet responded to Ofwat's appeal for relaxation of new water and sewerage standards. Without a political decision on that, the companies' level of capital spending remains uncertain, let alone the rate of return they might be allowed to earn on that investment. Until the rules become clearer, there is a strong argument for investors hedging their bets.

Ladbroke

A company plagued by inaccurate and potentially damaging rumours is undoubtedly placed in a difficult position. If it allows the allegations to be published and issues a denial, it takes the risk that the the rumour may gain currency. On the other hand, taking out an injunction to prevent publication may be viewed as an excessive response. To the extent that Ladbroke was caught between a rock and a hard place, one can feel sympathy. Yet to use such heavy weapons at a time when the company is in transition from the long tenure of Mr Cyril Stein's chairmanship to a new team is perhaps a pity. The new board has the difficult task of making its own mark. Ladbroke has made efforts in recent times to be more open, and a more limited riposte to the recent rumours would have confirmed that new approach.

There have been attempts to cast doubt on Ladbroke's finances before. Judging by the 1992 annual report and subsequent interim statement, however, there is little new to worry about. True, borrowings are uncomfortably high, the rise in the dollar last year forced up gearing, and the heavy dividend payment looks out of line with trading prospects. The need to conserve cash is perhaps a barrier to the expansion of the capital-intensive Hilton hotel chain. Yet that is all well known.

There does not seem to be a massive cash outflow and the company has the unusual luxury that practically none of its borrowings are secured on particular assets and it has no covenants on these debts. Since Ladbroke has considerable flexibility to resolve its difficulties, it might perhaps try to lighten up a bit.

FT WORLD WEATHER

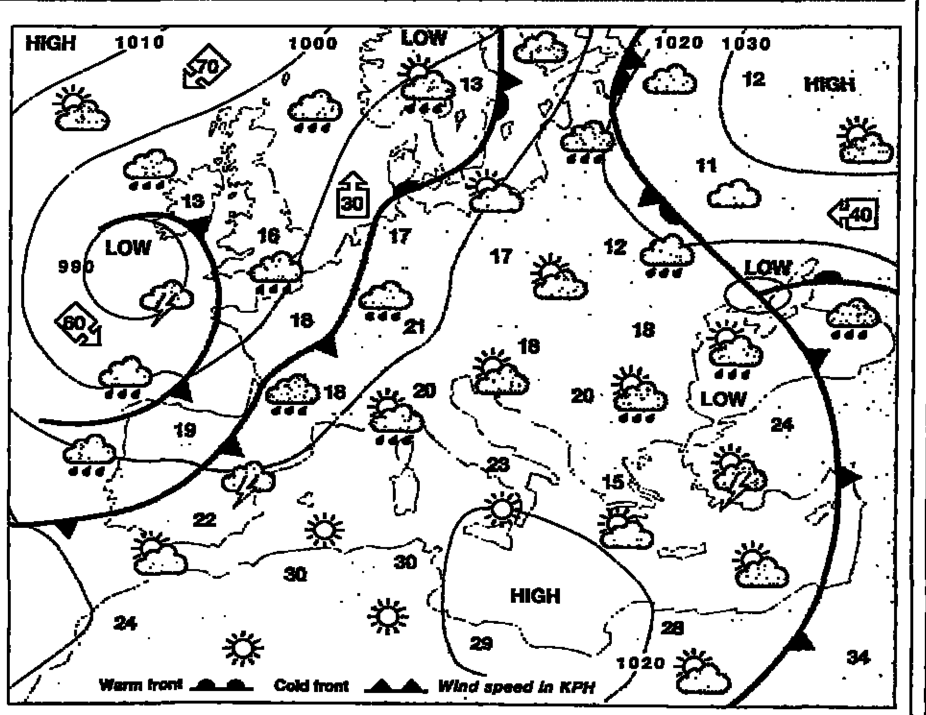
Europe today

The pressure difference between a low over the Atlantic and a high over the Mediterranean will produce a south-westerly flow bringing relatively mild air to western Europe. Temperatures will be a few degrees higher than yesterday. A lingering frontal system will produce outbreaks of rain in north-west Spain and Portugal, France, the Benelux, Denmark and Scandinavia. Thunder showers with some downpours are expected later in the south-western Alps.

The British Isles will be unsettled with rain or showers and cool north-easterly winds in Scotland and northern Ireland. Temperatures will range between 10C and 17C. The south-east coast of Spain and Italy and Greece will have a lot of sun. Afternoon temperatures will be about 25C. The Balkans and Turkey will have sunny periods and an isolated shower.

Five-day forecast

A southerly flow will be responsible for more rain in the Alps and later in northern Italy. Low pressure over the British Isles will produce rain in western Europe from time to time. Northern Europe will stay unsettled and cool. South-east Europe will stay sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	31
Algiers	sun	30
Amsterdam	cloudy	17
Athens	fair	24
B. Aires	clear	19
B.ham	shower	15
Bangkok	thund	33
Barcelona	thund	23
Beijing	fair	24
Belfast	rain	14
Belgrade	fair	20
Berlin	cloudy	20
Bermuda	fair	31
Bogota	cloudy	19
Bombay	thund	31
Brussels	cloudy	18
Budapest	fair	18
C.hagen	rain	14
Cairo	fair	33
Cape Town	sun	22
Caracas	cloudy	28
Cardiff	thund	15
Chicago	fair	18
Cologne	rain	18
D' Salaam	fair	29
Dakar	fair	31
Dallas	sun	29
Delhi	sun	35
Dubai	sun	41
Dublin	rain	13
Dubrovnik	fair	22
Edinburgh	rain	13
Faro	cloudy	22
Frankfurt	cloudy	19
Geneva	shower	17
Gibraltar	fair	23
Glasgow	rain	14
Hamburg	rain	17
Helsinki	cloudy	12
Hong Kong	thund	25
Honolulu	cloudy	31
Istanbul	fair	19
Jersey	shower	17
Karachi	cloudy	32
Kuwait	sun	41
L. Angeles	sun	22
Las Palmas	fair	26
Lima	cloudy	20
Lisbon	rain	19
London	shower	17
Lux.bourg	rain	16
Lyon	shower	19
Madeira	cloudy	24
Madrid	shower	19
Majorca	fair	25
Malta	sun	26
Manchester	shower	15
Manila	thund	28
Melbourne	shower	18
Mexico City	cloudy	17
Miami	thund	31
Milan	cloudy	18
Montreal	fair	10
Moscow	cloudy	13
Munich	shower	21
Nairobi	shower	26
Naples	fair	23
Nassau	thund	31
New York	fair	17
Nice	shower	20
Nicosia	fair	28
Oslo	shower	14
Paris	cloudy	18
Perth	clear	17
Prague	fair	20
Rangoon	cloudy	33
Reykjavik	fair	5
Rio	fair	28
Riyadh	sun	38
Rome	fair	23
S. Frsco	shower	21
Seoul	cloudy	19
Singapore	cloudy	30
Stockholm	cloudy	13
Strasbourg	rain	21
Sydney	rain	22
Tangier	fair	23
Tel Aviv	sun	31
Tokyo	shower	21
Toronto	sun	9
Tunis	sun	30
Vancouver	rain	16
Venice	fair	20
Vienna	fair	19
Warsaw	fair	16
Washington	sun	22
Wellington	cloudy	13
Winnipeg	rain	15
Zurich	cloudy	19

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 5 1993

INSIDE

SAS stands by Alcazar project

Scandinavian Airlines System (SAS) has reaffirmed its support for the Alcazar project to combine forces with KLM Royal Dutch Airlines, Swissair and Austrian Airlines. The announcement follows media reports of opposition to the alliance at the highest levels in SAS. Page 20

Groupe Bull selling plant

France's Groupe Bull is to sell its factory at Villeneuve d'Ascq in northern France to Decathlon, a sporting goods distributor. The factory is one of two French manufacturing centres owned by Groupe Bull and is being sold to help stem heavy losses. Page 20

Huntsman's latest gamble

The troubled petrochemicals industry has been left bewildered by the recent deals involving Lord Hanson, Australian entrepreneur Mr Kerry Packer and maverick businessman Mr Jon Huntsman (left). However, Mr Huntsman does not believe he is taking a significant risk. Page 20

Future uncertain for Telebras

Foreign investors will be keenly watching the debate over whether Brazil should abolish its telecommunications monopoly. Telebras, the sector's state-owned holding company, often accounts for more than half of trading on the São Paulo stock market and relies heavily on foreign investment. Page 21

BZW offers food warrant

Barclays De Zoete Wedd is launching a £100m ($154.00m) warrant for the food retail sector in one of the first such moves involving UK-only traded stocks. The warrant allows investors to exercise an option to buy the shares at the price on the day of purchase and is priced at 230p. Page 24

ShareLink swells

ShareLink, the telephone-based stockbroker, has 1,500 new customers a week trying to get through. Since its £42m ($63m) flotation two months ago, ShareLink's business has grown rapidly, reflecting the buoyancy of the equity market and the company's broadening range of services. Page 26

Bilton edges higher

Bilton, the property investment and construction company, has reported pre-tax profits of £8.99m ($13.84m) for the half-year to June 30. The company said growth had been restricted by some liquidations and receiverships. Page 26

Reforms favour Mexican maize

Mexican price supports for basic grains such as maize are to be replaced by cash payments to farmers according to the amount of land they own. Under the reforms there is bias in favour of maize production and well-off farmers who sell a lot of maize will not receive the bulk of government aid. Page 28

Brussels edges into Top Three

The Brussels equity market is only an occasional visitor to the top of World Index performance tables. It was pushed up into third place last week by rumours that the government was about to let the Belgian franc float and by good results from two of the country's utility groups. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana	589	+	10
Daimler-Benz	746	+	9
Heidelb Zem	1120	+	45
Linotype-Hell	324	+	14
Porsche	657	+	11
Falls			
Henkel Prf	557	–	11

NEW YORK ($)

Rises			
Compaq	56¾	+	1⅛
HCA-Hospital	28⅞	+	8
IBM	44½	+	⅝
Microsoft	83¾	+	1¼
Society	33½	+	⅞
Falls			
Columbia Health	26¾	–	1⅛

New York prices at 12.30.

PARIS (FFr)

Rises			
Air Liquide	779	+	10
Orsan	150	+	8
Radiotechn	345	+	8
Saint Louis	1364	+	35
Falls			
Canal +	1212	–	17
EBF	693	–	11

TOKYO (Yen)

Rises			
Nikon Corp	915	+	25
Nippon Lt Mtl	667	+	24
Sharp	1550	+	70
Tokyo Electron	3030	+	110
Falls			
Asahi Optical	427	–	22
Nitto Boseki	399	–	18

LONDON (Pence)

Rises			
BAA	869	+	14
Bulgin A	13½	+	2½
Delepak Foods	144	+	19
Fitch	13½	+	2
Flextech	150	+	5
Kalamazoo	79½	+	4½
Lucas Inds	156	+	7
Manchester Utd	531	+	18
Northamber	80	+	8
OS Hldgs	200	+	10
SEET	65	+	7
Sainsbury (J)	426½	+	12½
Steverfield-Rve	60	+	10
Smith New Ct	361	+	20
Southern Water	569	+	17
Falls			
Aminex	53¾	–	2½
Clarkson (H)	94	–	6
Ladbroke	178xd	–	5
Lon Scot Bank	89	–	10
T & N	163½	–	5

Lufthansa finds US partner in deal with United

By Paul Betts, Aerospace Correspondent in Frankfurt

LUFTHANSA yesterday signed a commercial partnership with United Airlines, the biggest US international carrier. The deal is expected to intensify competition on international routes and speed up privatisation of the German national carrier.

The two sides said the agreement did not involve an equity swap, but they did not rule out equity investments once Lufthansa was privatised.

Lufthansa said the foundations for the United partnership had been laid by the new bilateral air pact reached 10 days ago between Germany and the US.

The partnership with United would help reduce Lufthansa's heavy losses on the north Atlantic as the company strived to return to the black, said Mr Jürgen Weber, Lufthansa's chairman. The German airline, which has embarked on a restructuring programme, expects to halve annual losses this year, from last year's DM391m ($240m).

The Lufthansa-United deal is primarily designed to increase revenues, but the two carriers expect it also to provide cost-cutting opportunities.

Mr Weber also hoped the United deal would help swing Austrian Airlines to co-operate with Lufthansa rather than join the European four-airline merger being negotiated between SAS, KLM, Swissair and Austrian. The Austrian carrier is expected to make a decision later this month.

Yesterday's Lufthansa-United deal and the proposed four-airline merger reflect the scramble for alliances and partnerships engulfing the industry as it faces growing deregulation and increasingly global competition.

The partnership will enable the two carriers to share ticketing codes in computer reservation systems. They will also share airport facilities.

The alliance is likely to face opposition from American Airlines and Delta Air Lines, the two other big US carriers. American had sought a deal with Lufthansa and is now the only big US carrier without a major European partner. Delta, which has equity links with Swissair, sees its position as the biggest US carrier at Frankfurt threatened by yesterday's deal.

Mr Stephen Wolf, United's chairman, was confident the agreement would win US government approval. The partnership will help strengthen United's efforts to build up three hubs in Europe: including London Heathrow, Frankfurt and Paris.

Lufthansa and United will start joint transatlantic flights in January. Joint services will then be extended between London and various German cities.

Mr Weber said the plan was ultimately to link the two airlines' networks worldwide, but this would require a "global open skies" policy.

Chicago-based United operates nearly 2,000 scheduled daily flights while Lufthansa operates more than 900.

SAS reconfirms Alcazar commitment, Page 20

Richard Waters reports on the creation of a giant 'super-regional'

US banks confirm merger

KEYCORP and Society Corporation, two of the US's strongest regional banking groups, yesterday confirmed their merger in a deal which creates a new giant among the US's "super-regional" banks.

The new bank, to be known as KeyCorp, will have assets of $58bn, making it the 10th largest in the US on this basis. Among super-regionals – banks with operations which span a number of US regions – the new group will rank behind only NationsBank and Banc One.

Mr Victor Riley, chairman and chief executive of KeyCorp, said the merger was intended to enhance the two banks' earning power by making available a broader range of products through their combined branch network. By contrast, the deal was only expected to shave 4-5 per cent from the combined cost base of the two companies, or $80m-$100m a year.

Unlike other recent regional bank takeovers, the deal is structured as a pure merger, with the two groups combining their operations in a new holding company. KeyCorp shareholders will receive 1.205 shares in the new holding company for each one they hold, while Society shareholders will retain their existing number of shares.

KeyCorp, based in Albany, New York, has built a 836-branch network by expanding into eight states in the north-east and north-west: Maine, Alaska, Colorado, Idaho, Oregon, Utah, Washington and Wyoming. Society has concentrated on the middle corporate market and has 456 branches in Ohio, Indiana, Michigan and Florida.

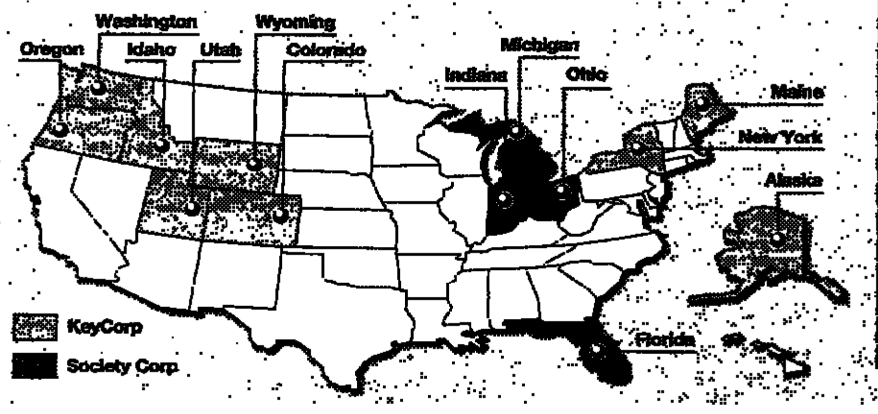
The return on equity of the combined banking group would be 19.75 per cent, making it one of the most profitable in the US.

In an attempt to dissuade rival bids for either bank, the two sides have granted each other options over 19.9 per cent of their shares. These options would become exercisable if either side was acquired by a third party. KeyCorp also said it had adopted a "poison pill", similar to one already in place at Society.

Analysts questioned whether the attempt to put together a true merger, leaving the management of neither bank in overall control, would slow down the group's development. However, both banks' shares rose on the news yesterday.

Combined resources

	Total assets	Return on assets	Return on equity	No. of states (Banking operations)	Bank branches
Society Corp Cleveland, Ohio	$26bn	1.52%	20.39%	4	456
KeyCorp Albany, New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Combined	$58bn	1.38%	19.75%	13	1288



Top US banks

		Assets ($bn)
1	Citicorp	211.90
2	BankAmerica Corp	179.37
3	Chemical Banking Corp	138.26
4	NationsBank	119.15
5	JP Morgan & Co	101.92
6	Chase Manhattan Corp	95.25
7	Bankers Trust New York Corp	72.17
8	Banc One Corp	61.25
9	Wells Fargo & Co	[illegible]
10	PNC Financial Corp	51.37
11	First Union Corp	51.37
12	First Interstate Bancorp	50.69
13	First Chicago Corp	[illegible]
14	Fleet/Norstar Financial Group	47.11
15	Norwest Corp	44.52
27	KeyCorp	[illegible]
29	Society Corp	25.00

Source: The Banker June 1993

Falling under the spell of the frontier spirit

Chock-full of capital and with little in the way of new loan growth to look forward to on their home turf, America's stronger regional banks have been on a buying spree lately. Their ambition: the creation of the US's first true nationwide banking groups as they hunt for new sources of revenue.

Mr Victor Riley, the 62-year-old chairman of KeyCorp whose career will be capped by a merger with Society Corp, yesterday summed up the mood: "It was apparent that a continuation of expense reduction is not something that either of us could live on forever."

The hunt for higher revenues has taken banks into new markets and new product areas. By linking their branch systems, many hope to create bigger networks selling a broader range of products, such as mutual funds and other investment-related services.

Inevitably, the demand has pushed up the price of banks with good distribution systems and sound balance sheets. The average purchase price for US banks has crept up to 2.5 times net asset value – a substantial premium over the valuation put by the stock market on the banking industry, which is below 2 times net assets, says Mr John Leonard, a regional banking analyst at Salomon.

With such a premium, will the shareholders of expansion-minded banks end up disappointed? No bank has yet proved that it can make a success of running a nationwide business handling a wide range of products, says Thomas Brown, a banking analyst at Donaldson Lufkin & Jenrette.

The KeyCorp/Society transaction, structured as a merger, does not involve the payment of a premium to either company's shareholders. However, it is based on the ambitious assumption that KeyCorp's branch network, built mainly around small businesses and individual customers, can be used to generate more business for Society's "products". These are based on specialised corporate lending and asset management for medium-sized businesses.

Meanwhile, there appear to be few obstacles to the quickening pace of US regional bank mergers. Though some states – such as Missouri and Minnesota – still put restrictions on interstate banking, most have relaxed their rules.

The biggest single obstacle remains the Southeast Compact: an agreement between 13 south-eastern states requiring banks in the region to maintain at least 80 per cent of their deposits there. Some, like South Carolina-based NationsBank, have reached further afield into other states, such as Texas, only because the compact does not apply to takeovers of banks which are receiving federal government support.

Against this background, the pace of bank mergers has been picking up. While two big deals hogged the headlines at the start of the decade – BankAmerica's takeover of Security Pacific and Chemical's merger with Manufacturers Hanover – smaller regional transactions have been accelerating.

Last year, bank mergers worth $8.5bn were announced; this year, the figure will be considerably higher. "There have been a lot of acquisitions in the $3bn to $5bn range," says Mr Leonard at Salomon.

NationsBank and Banc One, from Ohio, have set the pace through acquisition in recent years, but there is a growing queue to follow them. The KeyCorp/Society merger will create a third geographically diverse "super-regional" banking group. The question now: who will be next?

Fleet Financial and PNC – among the US's top 15 banks in terms of assets – are the two most frequently singled out as likely merger candidates, either with each other or with other banks. Each has a strong local base (Fleet in New England, PNC in Pennsylvania, Kentucky and Ohio), a healthy balance sheet and a good return on capital. Each also has a management which has expressed interest in expansion.

BankAmerica, the US's second-biggest bank with an extensive presence in the west, is also waiting in the wings. However, the difficulty it is experiencing in swallowing Security Pacific and the recession in California are widely expected to keep it on the sidelines.

With this growing list of merger candidates, it was not surprising yesterday to see KeyCorp and Society injecting a poison pill into their deal to dissuade rival suitors.

Unsolicited bids among US banks have not been a feature of the latest takeover wave. But as the pace picks up and the list of attractive merger candidates shrinks, an unwanted bid looks increasingly likely.

Strong yen is fierce foe for Nintendo

By Robert Thomson in Tokyo

NINTENDO, the Japanese electronic game maker, has conceded that its decade of growth had ended, as it cut a pre-tax profit forecast from Y170bn to Y121bn ($1.14bn) for the year to March, down 26 per cent on a year earlier.

The company's mascot, Super Mario (above), has overcome various video foes but was finally brought down by a strong yen, which undermined sales in foreign markets. Sales for the year are now projected at Y500bn, down from the previous forecast of Y600bn, and 11 per cent lower than last year.

The Kyoto-based company had earned more last year than Matsushita, Japan's largest consumer electronics maker, and had been confident that the rapid international growth of video games would continue.

Nintendo set successive profit records by keeping the core workforce at 890 employees, contracting out much of the product development, and successfully marketing and controlling the flow of software. The company faces increasing competition from Sega Enterprises, another Japanese maker, which has been prepared to cut prices and has surpassed Nintendo in developing game technologies.

The company intends to reduce its reliance on exports in the second half and launch a sales drive on the domestic market, where it has been hindered by the slowing economy. "In the first half, our export ratio was 59 per cent of sales, but we expect that it will fall to 42 per cent in the second half," Nintendo said. Nintendo is preparing to make game equipment in China, but said the positive effect on costs would "not be seen this year".

Nintendo is expecting a first-half pre-tax profit of Y61bn, against its previous estimate of Y81bn, on sales of Y260bn, down from Y285bn.

Sun goes down, Page 22

London urges accuracy in estimating flotation demand

By Maggie Urry in London

THE STOCK Exchange is expecting a steady flow of flotations over the next few months, and regards this as a critical time to make sure the mechanism for new issues is working smoothly. That includes ensuring retail investors have access to issues.

Mr Nigel Atkinson, head of listings at the exchange, said that so far issues through financial intermediaries, where investors can apply for shares through brokers for instance, have generally been oversubscribed but not by substantial multiples. "By and large sponsors have got it about right."

The exchange applied the yardstick of oversubscription to measure whether sponsors had accurately estimated public demand. He said sponsors who got it wrong would be questioned and the exchange would "take a more critical view the next time the sponsor comes along with an issue."

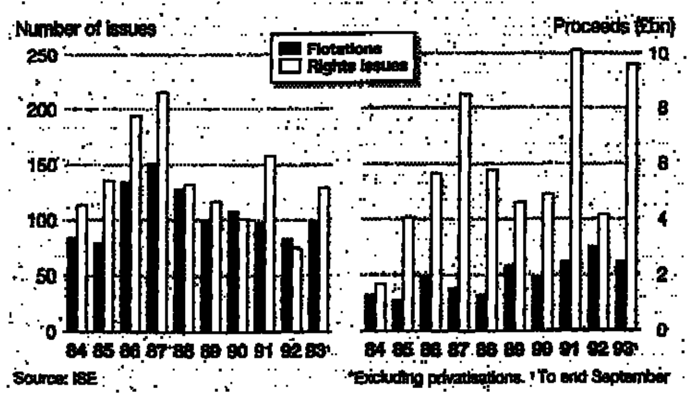
There had been no complaints from the public that they had been denied the opportunity to participate in new issues. One broker said the intermediaries offer was seen as a way of accessing the private investor. Another said these offers only worked if commissions were paid.

Part of the impetus for the spate of flotations has been that, with the market on a high historic rating, companies have obtained a better price than by accepting a takeover. Usually the reverse is true, as takeover multiples include a premium for control.

Institutional appetite for new equity has also been demonstrated by the take-up of rights issues. These have raised nearly £10bn this year, far outweighing the value of new shares issued in flotations.

The rush to market, Page 24

Flotations* and rights issues



Source: ISE
*Excluding privatisations. †To end September

SAS directors reaffirm support for Alcazar project

By Hugh Carnegy in Stockholm

THE directors of Scandinavian Airlines System (SAS) were forced yesterday to reaffirm their support for the Alcazar project to combine forces with KLM Royal Dutch Airlines, Swissair and Austrian Airlines following media reports in Scandinavia alleging opposition to the alliance at the highest levels in SAS.

SAS said the Alcazar negotiating team, led by Mr Jan Carlzon, who resigned as SAS president and chief executive last week, had the full support of the board and new management. "SAS's position in favour of Alcazar is unchanged. The organisation changes made by SAS last week combine the purpose of completing the Alcazar negotiations in a manner satisfactory to SAS and the purpose of improving SAS's profitability," SAS said.

Newspaper reports in Denmark, Norway and Sweden have suggested Mr Carlzon was pushed out because of SAS's poor financial condition and scepticism over the viability of the Alcazar project. They have alleged splits between the Danish, Norwegian and Swedish camps within the three-cornered airline. Specifically, they alleged that Mr Tage Andersen, the Danish chairman of SAS, had been at odds over Alcazar for some time with Mr Carlzon, a Swede and one of its most enthusiastic proponents. SAS blames the reports on mischievous attempts to exploit tensions between the different nationalities within the airline.

Groupe Bull agrees factory sale

By John Ridding in Paris

GROUPE BULL, the French state-owned computer group, is to sell one of its two French manufacturing centres as part of a rationalisation programme aimed at stemming heavy losses.

According to Bull, it has agreed in principle to sell its factory at Villeneuve d'Ascq in northern France to Decathlon, a French distributor of sporting goods. Bull declined to comment on the price of the proposed sale.

The decision comes at a time when Bull is under increasing pressure to reduce losses which have amounted to about FFr15bn ($2.6bn) over the past three years.

The company has asked the French government for FFr9.2bn in new capital over the next two years to help it fund a restructuring plan which includes 6,500 job losses and a shift in emphasis from the production of computer hardware towards services and the supply of software.

The French government is considering Bull's request for a capital injection and is expected to make an announcement within the next week. But Mr Karel van Miert, the EC competition commissioner, is considering opening an inquiry into the French state's financing for the computer group.

Industry analysts argue that a return to profitability at Bull requires a shift in production to low cost sites, possibly outside Europe and the US. The sale of the Villeneuve d'Ascq plant is regarded as a step in this direction.

Bull said the Villeneuve plant, which was built in 1986, and described at the time as one of the world's most modern production facilities for the manufacture of personal computers, would continue to operate until the end of the year.

In addition to the Villeneuve d'Ascq factory, Bull has a large production facility at Angers in central France. Its Zenith Data Systems personal computer subsidiary, which has been responsible for much of the group's losses in recent years, has a factory in St Joseph, Michigan in the US.

Invergordon rejects renewed offer

By Philip Rawstorne in London

A RENEWED attempt by Whyte & Mackay, the UK drinks subsidiary of American Brands, to gain control of Invergordon Distillers has been rebuffed.

Fleming Investment Management, which has a 13.6 per cent stake in Invergordon, is understood to have rejected an offer of 300p a share – 275p cash and a 25p dividend.

Whyte & Mackay was left with 41 per cent of Invergordon after an unsuccessful bid two years ago. It launched that bid at 225p a share and raised the offer to a final 275p a share.

Another Invergordon shareholder said yesterday that it considered the new approach inadequate. "If Whyte & Mackay thinks it can come back after two years and take advantage of a temporary dip in Invergordon's share price, it should think again."

A price of 300p, the shareholder added, did not reflect the value of Invergordon, which had doubled net assets to £64m ($95.5m) and cut borrowings to £22m from £46m since flotation three years ago.

Invergordon's share price closed 2p higher at 268p yesterday. The shares have fallen from 295p since a 23 per cent fall in first-half profits to £11.3m was reported last month. It was the first setback in nearly a decade of uninterrupted growth.

As analysts downgraded forecasts of full-year profits to £27m from last year's £32m, there was widespread speculation that Whyte & Mackay would make a further bid to take over the company before the end of this year.

Robert Fleming, the investment house, which is Invergordon's financial adviser as well as a leading shareholder, played a crucial role in the rejection of Whyte & Mackay's bid in 1991.

Trygg stops writing new reinsurance business

By Christopher Brown-Humes in Stockholm

TRYGG-HANSA SPP, the Swedish insurer, is to stop writing new reinsurance business immediately to concentrate on its Swedish activities and international industrial and corporate insurance.

The move ends an involvement dating back to the start of the century and follows the company's March decision to halve its reinsurance activity. The group is ranked as one of the world's top 50 reinsurers with 1992 premiums of SKr2.5bn ($316.4m).

Mr Lars Pihlgren, head of Trygg's reinsurance and marine operations, said the decision to pull out of reinsurance was logical when it was no longer considered a core business.

Last year, Trygg suffered a SKr470m loss from reinsurance because of losses from credit insurance and exposure to hurricane Andrew. In 1993, a break-even reinsurance result is expected.

The winding down process will take a number of years, as claims can be expected to come in even though premiums are no longer generated.

The group is seeking a European partner in industrial insurance and it wants to strengthen its position in Sweden. The company's US affiliate Home Holdings said last month it would raise $335m through an initial public offering and seek a listing on the New York Stock Exchange.

SME improves to L65.3bn

SME, the Italian retailing and catering group which is being progressively privatised, saw net profits climb to L65.3bn ($41.1m) in the first half, from L41.8bn last year, writes Haig Simonian in Milan.

The company predicted earnings for the full year would be in line with those of 1992.

● Italgas, the gas and water services group, said pre-tax profits for the first half fell by 4.8 per cent to L199bn.

Industry bewildered by unlikely trio

Paul Abrahams reports on the spate of petrochemicals acquisitions

LORD Hanson, Mr Kerry Packer, and Mr Jon Huntsman form a surprising trio. But during the last two months the English Lord, Australian entrepreneur and Mormon maverick businessman have taken a punt on the troubled petrochemicals industry.

In July, Lord Hanson acquired Quantum Chemical, the largest US producer of polyethylene, for $3.2bn. Two months later, Huntsman, the privately-owned US group run by Mr Huntsman, announced its largest acquisition, buying Elf Atochem's French expandable polystyrene operations for an undisclosed sum.

Six hours later, the same group in partnership with Mr Packer revealed a still larger deal, purchasing Texaco's chemicals operations for $1.06bn.

The acquisitions left the rest of the petrochemicals industry bewildered. They were unsure whether the trio were demonstrating superb timing by buying at the bottom of a particularly bad downturn and would soon reap the benefit of a recovery, or that the three – along with the rest of the sector – would continue to suffer from continued over-capacity, poor margins and potential losses.

Mr Huntsman, the chief executive of the largest US privately-owned chemicals group, has bet his shirt before.

In 1983, one of the least propitious times to enter the commodity petrochemicals business, he mortgaged his family's fortune and borrowed a great deal of money to acquire a $42m polystyrene plant from Shell. The Shell executives reckoned he would lose everything as well as the bank loans. They gave him a bronze sculpture inscribed; Riverboat Gambler. From your friends at Shell.

However, the gamble paid off. Within five years, Mr Huntsman's company had acquired further facilities from Shell in the UK and Hoechst in the US, generated pre-tax profits of $240m in a single 12-month period and cleared its debts.

Huntsman's latest deals dwarf those of the early 1980s, and nearly double the group's turnover to $3.1bn a year, an impressive achievement for a company that did not exist 10 years ago.

Mr Huntsman explains: "We don't buy companies to make profits out of the cycle – that philosophy just does not make sense. We're looking to make profits from day one."

Huntsman group can make profits in commodity chemicals at the bottom of the cycle because of its low cost base, says Mr Huntsman.

"As a private family-run company we just don't have the enormous overheads associated with a public group," he says. The group's running research and development costs and those for sales and general administration are only 4.2 per cent of turnover. That compares with 9 per cent for the rest of the industry.

Jon Huntsman: 'Managing growth is troublesome'

Costs are kept down through the company's policy of running plants at 100 per cent capacity. That reduces costs per unit, and improves quality because the plant is not stopping and starting.

"We've been waiting for the down-cycle to come. We've been planning for it, while the others have been dreading it. It gives us the opportunity acquire at reasonable prices. If we make money on the up-cycle – well, that's just gravy."

Mr Huntsman admits the group has its work cut out managing the increase in the business's size. "Managing growth is troublesome and I do worry about it. There's a difference between managing 300 people in a family business and a group employing 10,000 staff in 65 locations."

Nevertheless, Huntsman managers are confident they can cope with the latest acquisitions. They argue the purchase of three Hoechst polystyrene plants in 1986 was far more stressful because the deal tripled the size of the group when there was no corporate structure in place.

As for the gravy offered by the cycle, Mr Huntsman reckons the outlook for much of the industry remains grim. The cycle is on a more definite curve in the US than Europe where he expects little light over the next two to three years. In North America, polypropylene and polyethylene are at a low ebb, but expandable polystyrene and polystyrene are in short supply and margins are more healthy than at any time, he claims.

With little help from the market, Mr Huntsman's and Lord Hanson's management skills will need to be well in evidence to avoid a long-haul to respectable profits.

GIB falls to BFr605m in first six months

By Andrew Hill in Brussels

FALLING food prices and depressed consumer spending combined with rising labour costs to cut net profits at GIB Group, the Belgian retailer, to BFr605m ($16.8m) in the six months to July 31, from BFr1.68bn in the corresponding period last year.

GIB, which is Belgium's biggest private-sector employer, announced 10 days ago that 4,600 of the 17,000 full-time and part-time employees in its Belgian supermarket chain would lose their jobs over the next three years.

The group said that provisions linked to this recovery plan would appear in the second-half results, but it made no comment on the outlook for the full year.

Profits were hit by extraordinary costs of BFr530m related to restructuring of its Sarma stores. In the first half of last year, GIB recorded an extraordinary profit of BFr365m, following property sales.

GIB recorded sales of BFr113bn in the first half, against BFr111bn in the equivalent period. Supermarkets and hypermarkets increased sales by 1.4 per cent, while do-it-yourself stores pushed up turnover by 5.8 per cent.

Aerospatiale plunges further into the red

By John Ridding

AEROSPATIALE, the French state-owned aerospace group, suffered net losses of FFr870m ($150m) in the first six months of the year, almost double the FFr477m net loss in the first half of 1992.

The group, which is included on the list of 21 public companies selected for privatisation by the French government, blamed the decline on the depressed state of the international civil and military aviation markets.

Aerospatiale said that a return to profits required continued restructuring and economy measures in the coming months.

Sales fell by 12 per cent to FFr22.98bn for the first half of the year. Aerospatiale said it expected full-year sales to decline.

The first-half performance included an exceptional charge of FFr640m resulting from the cost of provisions for the group's restructuring plan. The plan, announced at the beginning of the summer, includes the loss of 2,240 jobs by the end of next year.

This exceptional loss was partly offset by an exceptional gain of FFr415m as a result of the sale of shares.

Trotman to take over from Poling as Ford chairman

By Kevin Done,
Motor Industry Correspondent

MR ALEX Trotman is to take over as chairman, chief executive and president of Ford, the world's second-largest vehicle maker after General Motors, with effect from November 1.

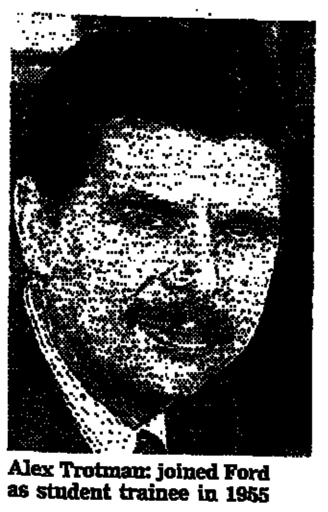
He will replace Mr Harold Poling, 67, who will retire at the end of the year.

Mr Trotman has emerged as the favoured candidate in recent months to lead Ford in preference to the earlier front-runner Mr Allan Gilmour, who remains as one of two vice-chairmen.

Mr Trotman, 60, has moved rapidly through the senior ranks of Ford since serving as president and then chairman of Ford of Europe in the second half of the 1980s.

In 1989 he moved back to the US to become executive vice-president of Ford's North American automotive operations, and was appointed president and chief operating officer of Ford Automotive Group in January.

Born in Middlesex, UK, and educated in Edinburgh, Mr Trotman joined Ford as a student trainee in the purchasing department of Ford of Britain in 1955, following service as a flying officer-navigator in the Royal Air Force.



Alex Trotman: joined Ford as student trainee in 1955

Much of his career at Ford has been spent in product planning. He became director of Ford of Europe's car product planning office in 1967. He moved to the US in 1969 and was appointed chief car planning manager for Ford in North America in 1975, the year in which he became a US citizen.

In the early 1980s he also served for a period as president of Ford Asia-Pacific, before becoming president of Ford of Europe in 1984.

With the retirement of Mr Poling, Ford will lose one of the leading figures of the US auto industry, who has emerged in recent years as one of the most outspoken champions of tougher action by the US government to reduce the large Japanese automotive trade surplus with the US.

After two years of heavy losses, Ford returned to profit in the first half of 1993 and has gained significant market share, partly at the expense of its bigger domestic rival, General Motors.

● MacMillan Bloedel, the Canadian forest products group, will maintain its interest in KNP BT, a Netherlands fine paper and packaging group, by taking its share of a KNP rights issue for C$64m, writes Robert Gibbens in Montreal.

MacMillan owns 17 per cent of the enlarged KNP, which is making a rights offer to bolster its balance sheet. MacMillan will buy 2.85m new KNP shares.

Minorco buys 4% of Metall Mining

By Bernard Simon in Toronto

MINORCO, the offshore investment arm of South Africa's Anglo American Corporation, is to tighten its mining links with Metallgesellschaft by taking a small stake in the German metal group's fast-growing international mining subsidiary.

Minorco has agreed to buy 3.1m shares, equal to a 4 per cent stake, in Toronto-based Metall Mining, in which Metallgesellschaft has a 68 per cent interest. The deal is worth about C$31m (US$23.2m) at current market prices.

Dr Heinz Schimmelbusch, Metallgesellschaft chairman, yesterday expressed the hope that the deal would be the first step towards a long-term alliance between the two groups.

Dr Schimmelbusch said that he viewed Minorco's involvement in Metall as an opportunity for future co-operation. "We interpret it as a sign that the friendly fleets have established contact, and that they intend to keep fending off common enemies," he said.

Each company will have a window on the other's projects through the planned appointment of Mr Hank Slack, Minorco's president, to Metall's board. Minorco and Metallgesellschaft are partners in the Navachab open-pit gold mine in Namibia, and have indirect links in other international mining ventures.

Metall last week announced plans to shift its gold mining assets into a new privately-owned company, to be owned jointly with Australia's Poseidon Gold, in which Minorco is an indirect shareholder.

Minorco has narrowed its focus on natural resource investments. Under a restructuring announced last month, it is taking control of Anglo American's non-diamond investments outside Africa – notably Anglo's unquoted mining investments in South America.

Metall expanded its copper interests last month by acquiring Metallgesellschaft's European copper smelting assets. But low copper prices led the Canadian company to put off plans last week for a C$170m public share issue, which would have helped finance the purchase.

Metall issued 15.9m shares to Metallgesellschaft in exchange for the copper assets, raising the German company's stake to 68 per cent from 60.5 per cent.

Congress holds key to Telebrás sale

Privatisation hinges on abolition of monopoly, writes Bill Hinchberger

FOREIGN investors have played a central role in making Telebrás, Brazil's state-owned telecommunications holding company, the flagship of the São Paulo stock exchange.

They will be keenly watching the expected Congressional debate over whether to abolish the state's constitutionally-guaranteed monopoly over the sector – an essential first step towards privatisation.

Telebrás often accounts for more than half the trading on the São Paulo stock market, whose market capitalisation last month topped $100bn for the first time. The government owns more than 50 per cent of voting shares, which make up one-third of total capital. Mr Stephen Rose, of London stockbrokers Stephen Rose and Partners, says 24 per cent of the company is held by the government and more than a quarter by foreign investors.

The debate over the state monopoly – part of the constitutional revision process beginning tomorrow – will take place in a climate of uncertainty for Telebrás. A scandal revolving around an alleged extortion attempt by the company's former finance director prompted the board to suspend international capital markets operations. A Y10bn Eurobond was cancelled, while a planned $150m Eurobond and a share offering of up to $500m in American depositary receipts (ADRs) were put on hold.

Some analysts now expect that the group's ambitious $3.5bn investment programme for 1993 will have to be slowed as cash flow is channelled into paying 1992 dividends.

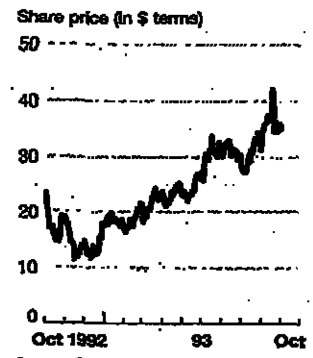
A survey by the Brazilian Institute of Political Studies suggests that the elimination of the monopoly might be an uphill battle. In the Chamber of Deputies, the lower house, 45 per cent of legislators questioned said it was "extremely" or "very" important for the government to operate directly in telecommunications, compared with 35 per cent who said it was "not very necessary" or "unnecessary".

"Except for cellular telephones, the sector will probably remain a state monopoly ... this being a strategic sector," predicted Mr Humberto Lucena, president of the Senate.

Pro-privatisation forces have not lost hope, however. "It will be a difficult fight, but there are already groups in Congress working on this," said Mr Renato Johnsson, a leading advocate of privatisation.

Those in favour of privatisation may be aided by the bribery scandal. A Salomon Brothers report predicted that the scandal would strengthen the pro-privatisation lobby. It added that the episode could also bolster the case of those who defend a US-style regional break-up over a unitary sale of the Telebrás conglomerate, with its 27 regional and one long-distance subsidiaries. Leading subsidiaries "have longed to escape from the control of the holding company", said the Salomon report.

Telebras.



Source: Datastream

In spite of the controversy, Telebrás shares have remained above $30 for a 1,000-share lot, up from about $18 at the start of the year. The stock had gained steadily since the government announced early this year that it would permit real increases in fees, reversing initial indications that prices would be held down in order to fight inflation. This was reflected in Telebrás' recent results, which showed net profits of US$1.23bn for the first eight months of the year compared with $431m in the same 1992 period.

However, the tumult could hurt investment plans. Until the recent suspensions of its planned operations, Telebrás had successfully tapped capital markets. "We'll easily pass our investment goal of $3.5bn this year," the company predicted in August, adding that it was also ahead of its target for the installation of new lines.

The proposed ADR offering was part of Telebrás' search to fund investments to increase the number of telephone lines to 11.7m from 10.5m by the end of this year, with a goal of 15m by 1995. Brazil has 6.8 lines per 100 inhabitants, lagging Argentina (11.8) and Uruguay (13.9).

If there is any slowdown in investment for 1993, analysts say, it will only be evident during the final months of the year, as dividend outlays and suspended capital market operations take their toll.

Meanwhile, the closure of access to new finance is strengthening the arguments of those who favour privatisation. "We have to recognise that the state doesn't have the resources," said Mr Johnsson.

S&P upgrades Chrysler's debt

By Karen Zagor in New York

CHRYSLER, the US carmaker, yesterday had its debt rating upgraded to investment grade from speculative by Standard & Poor's, the US credit rating agency.

The move was foreshadowed in June, when S&P placed Chrysler's double B plus senior debt rating on creditwatch with positive implications.

Yesterday, S&P raised its rating on Chrysler and its credit arm, Chrysler Financial Corporation, to triple B.

The company had about $12.8bn in outstanding debt at the end of June.

S&P's action completes Chrysler's goal of cutting its borrowing costs. Moody's Investors Service last month lifted Chrysler's debt rating to investment grade.

The higher grade allows Chrysler access to a broader investor base. It is particularly important for Chrysler Financial Corp, which borrows frequently in the bond markets.

Chrysler has staged a dramatic financial recovery in recent years. S&P praised the company's well-designed and fortuitously-timed new products, in addition to its improved operating efficiency. "Management continues to demonstrate a conservative financial policy, lending confidence that the surplus cash generated in coming years will be used to further increase cash reserves and reduce debt, putting the company in a much better position to weather the next downturn," the agency said.

However, S&P noted that Chrysler has a relatively thin product line and depends on a fiercely competitive market in North America. As a result, Chrysler's fortunes are expected to continue to fluctuate widely, "limiting the potential for additional rating upgrades", S&P said.

Mexican cornflour producer sold

By Damian Fraser
in Mexico City

THE Mexican government has sold Maiz Industrializado Conasupo (Miconsa), the country's second-largest cornflour producer, for $140.1m to an investor group headed by Mr Raymundo Gomez Flores, a prominent Guadalajara businessman.

Miconsa has about 26 per cent of the cornflour market, behind Maseca, the market leader. Mexicans make about a third of their tortillas, part of the country's staple diet, with processed cornflour and the remainder using traditional methods. Analysts estimate the majority of tortillas will soon be made with processed cornflour, which is cheaper than traditional methods.

The winning group bid about 7 per cent more than its nearest rival, an investor group led by Mexico's biggest bread producer, Bimbo.

Mr Gomez Flores recently failed in a bid for Asemex, the Mexican state insurance company privatised last month. He controls Banca Cremi, a bank that is to merge with Banco Union, and Dina, the truck company listed on the New York Stock Exchange. Mr Gomez Flores also has a significant stake in the fruit company Del Monte Fresh Produce.

Merged hospital chain to expand

THE NEW US hospital chain formed through the takeover of Hospital Corporation of America by Columbia Healthcare will acquire 10 to 20 hospitals per year, according to Mr Richard Scott, chairman of Columbia, Reuter reports from New York.

Mr Scott told an analysts meeting that the enlarged company, to be called Columbia/HCA Healthcare Corporation, will also acquire at least 10 to 20 outpatient clinics per year.

He estimated that the new hospital chain, which will combine the two biggest US hospital groups after the $5.8bn takeover, will spend about $400m per year on acquisitions.

Mr Scott said Columbia/HCA will focus on acquisitions of individual hospitals in locations in which the two chains currently operate. "That's where we get our biggest returns," he said.

"I think it will mostly be individual acquisitions," Mr Scott said, noting that Columbia is in the process of buying a hospital in Independence, Missouri and is working on acquiring two more hospitals there and a third in Chicago.

He said the merged hospital chain is likely to purchase some tax-exempt hospital systems.

Mr Scott also reiterated that the takeover – announced on Sunday – is expected to result in cost savings of $75m in 1994 and $130m by 1995.

He said reduced costs will boost earnings of the new entity by at least $0.10 per share. There will be no dilution to earnings from the merger.

Mr Scott said Columbia hoped to receive approval for the merger from the SEC by late November and to close the transaction by the end of the year. He said the two companies do not foresee any anti-trust problems.

The merger is the most significant sign so far of consolidation in the US healthcare industry prompted by the Clinton reform plans and by market pressures for lower medical costs.

Learning how to work when the sun goes down

Michiyo Nakamota in Tokyo finds out what measures Japanese companies are taking as they try to combat recession

JAPANESE companies are generally loath to admit unexpected turns of event. But at the mid-way point of the fiscal year, investors are bracing themselves for a number of nasty surprises.

As companies assess business activity in the first half – ended September – they are being forced to downgrade their earnings expectations which, more often than not, have turned out to have been on the optimistic side.

Last week Mazda, the car maker, and Matsushita, the consumer electronics group, joined a growing list of companies deeply troubled by the weakness of the Japanese economy and having second thoughts about the outlook for earnings as a result.

Mazda said its losses this year would be Y32bn, more than 2¼ times its initial forecasts. Matsushita predicted its profits would be Y63bn, 35 per cent lower than last year - it originally thought they would be 3 per cent up at Y100bn.

Both companies blamed the further weakening of the Japanese economy and the rapid appreciation of the yen. "The situation has made it difficult for us to achieve our target for the first half," a Matsushita representative said. "We expect the slowdown to be prolonged."

When Japanese companies made their initial earnings forecasts for the year, there were still hopes that government measures to stimulate the economy would trigger a recovery in domestic demand later in the year.

In June, the Economic Planning Agency even announced that the economy had bottomed out.

The summer months, however, were to prove those early hopes of a revival not only premature, but over-optimistic; things were set to get worse.

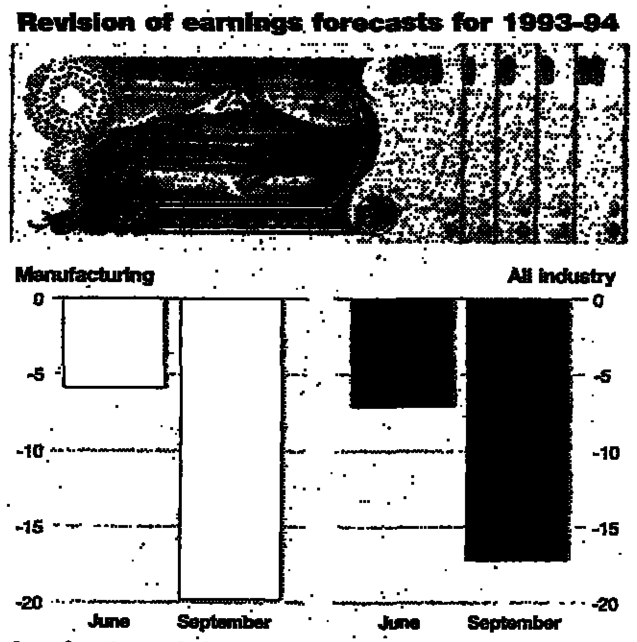
The pick-up in domestic demand failed to materialise. Both personal consumption and capital spending by companies continued to sag: department store sales in Tokyo dropped 6.6 per cent in the year to August, and private-sector machinery orders fell almost 12 per cent in July.

Japanese consumers, feeling the effects of the economic slowdown through smaller summer bonuses and worried about possible redundancy, decided they could not afford to replace cars or stereo sets. The gloom was aggravated by an unusually cold summer, which had a debilitating effect on personal consumption.

Meanwhile, the government stimulus failed to have much of an impact. A government survey in August showed Japanese business confidence at its lowest level for almost two decades.

"There is something of a crisis of confidence in the Japanese economy," said a representative of NEC, the electronics maker, when it reduced its forecast of annual profits from Y50bn to Y30bn.

Revision of earnings forecasts for 1993-94



Source: Research reports of 12 brokerages

This weakness in domestic demand has been coupled with an unexpected surge in the yen's value against the dollar, which has been little short of disastrous for many Japanese manufacturers. Since the beginning of the fiscal year the yen has risen about 5 per cent, wiping billions of yen off overseas earnings.

Mazda said the yen's rise would reduce revenues by Y65bn, while Matsushita noted that the impact of the yen's appreciation against major currencies would amount to a loss in annual revenues of Y132bn.

While the strength of the currency was expected to depress profits at the start of the fiscal year, companies recognise that the impact is likely to be even greater in the second half, not only because the yen has continued to strengthen but also because their ability to hedge dollar earnings will be significantly reduced.

Japanese executives stress the strenuous efforts they are making to respond to the bleak conditions. Manufacturing costs are being slashed, capital spending is being curtailed and R&D investment is being trimmed to save the last yen.

Restructuring has become the latest catchphrase and corporate priorities are being reassessed as never before. Debates are aired in public over the need for higher productivity, particularly among white collar workers.

In a reversal of conventional Japanese corporate wisdom, it is becoming increasingly acceptable to talk of the greater importance of profitability over market share.

"It is a perfect time for management to carry out these ideas," said Mr Yoichi Morishita, president of Matsushita.

But in spite of these efforts, as a beleaguered Mazda executive explained last week, it has been difficult to deal quickly enough with the deterioration in the Japanese economy and the speed of the yen's rise.

As companies wait for the effects of restructuring measures to come through, the growing consensus is that Japanese corporate earnings will this year fall for the fourth consecutive year, and recovery will be delayed until well into 1994.

Before recovery comes, however, it is likely to be preceded by still more nasty surprises.

On top of further pain caused by the strong yen, it is increasingly likely that further job cuts will have to be made.

So far, Japanese companies have been averse to meeting the decline in business activity through big staff cuts. Life-time employment is a commitment they have been unwilling to sacrifice. On the whole, the most that has been done is to implement voluntary retirement schemes and suppress recruitment.

"Corporations are continuing to act as an unofficial social security system," said Mr Peter Tasker, strategist at Kleinwort Benson. Mr Tasker noted that personnel costs continued to rise in the second quarter by 4.3 per cent year on year.

He said: "It is hard to see how corporate restructuring can take place without a significant labour market adjustment."

If that happens, however, Japanese companies will once again have to admit to a disturbing and unexpected turn of events.

Japanese retailer takes a surprise gamble on China

China, amid an austerity programme and resurgent political uncertainty, is reckoned by Kazuo Wada to offer the ultimate in risk and reward. Simon Davies reports

IN 1989, Mr Kazuo Wada made an unusual move for a Japanese businessman. He moved the headquarters of his Yaohan retailing group from Nimazu in Japan to Hong Kong.

At that time, Hong Kong was struggling to come to terms with the political implications of the Tiananmen Square massacre, property was cheap and influential friends were easily made. Hong Kong was to prove a springboard for Mr Wada's growing ambitions in China.

Later this month his timing will face a similar test, as he attempts to sell this story to investors by listing his holding company, Yaohan International, on the Hong Kong stock market amid a Chinese economic austerity programme and a resurgence of political uncertainty.

In 1990, Yaohan had three department stores in Hong Kong; it now controls seven stores, three listed companies, and chains of restaurants, cake stores, games centres, leather boutiques and home appliance stores. By the end of 1994, Mr Wada says he will control eight stock market-listed companies in Hong Kong.

But in spite of this spate of activity in Hong Kong, China has remained Mr Wada's great rallying cry. The 21st Century will be the era of China, he claims, and he plans to get in early, opening 1,000 supermarkets in the still-backward nation by the year 2,010.

Mr Wada said: "China is now where Japan was thirty years ago. Japan will still be a big market for Yaohan, but they already have a lot of merchandise.

"Yaohan has more potential in China, where people have nothing."

China remains a controversial choice. Other retailers have seen turnover slide in the face of Chinese vice premier Zhu Rongji's moves to curb speculation and excessive growth in consumer spending.

As one analyst said: "You see a lot of people walking around Beijing department stores, but you don't see them buying anything."

But Mr Wada disputes this view. Yaohan manages a department store in Beijing, which claims to have seen steady growth in sales since it opened earlier this year.

Yaohan clearly understands one of the keys to business in China. It has built up connections with substantial Chinese corporations, including China International Trust and Investment Corporation (CITIC) and China Venturetec Investment Corporation (CVIC). CITIC's Australian subsidiary recently purchased 10 per cent of Yaohan International, while CVIC has a 5 per cent stake.

CVIC owns the company's Beijing store, and Yaohan has also formed a joint venture with China's largest department store operator, Shanghai Number One department store to construct what will be Asia's largest department store.

Yaohan has a 51 per cent stake in the project, which will cost US$100m and will create a store with a sales area of 122,000 sq metres, equivalent to Harrods in London or Macy's in New York.

When Mr Wada announced the deal in 1991, he said it would mark "the beginning of the era of China". But in a country that in 1992 had gross national product of US$355 a head, compared with more than US$1,800 in neighbouring Thailand, it is hard to imagine that China is ready for such an ambitious project.

But China has substantial hidden resources and an extremely high savings rate, so disposable income is already significantly higher than the statistics suggest. Mr Wada is planning for the long term.

He intends to build Yaohan's presence primarily through "International Merchandise Marts".

These will circumvent China's inefficient wholesale system by acting as distribution centres for numerous Yaohan franchise stores, which would be primarily owned by local Chinese government. However, no meaningful contribution is expected from China until 1997.

The flotation of Yaohan International will be sold to investors as a pan-Asian retailer that has skirted the Japanese recession, using a strong yen to move successfully into the broader South East Asian marketplace.

But the underlying strategy for the flotation is to raise its profile and roughly HK$600m (US$77.6m) in capital to aid a push into China, which is would include vast chains of department stores, fast-food restaurants and cake shops.

As the largest and least developed of the world's consumer markets, China is both the ultimate risk and reward for retailers.

Mr Wada, for one, is confident that investors will accept the challenge.

INTERNATIONAL CAPITAL MARKETS

European prices recover from Moscow mark-down

By Sara Webb in London and Patrick Harverson in New York

THE OUTBREAK of violence in Russia sent European government bonds tumbling at the start of trading, but while the markets remained volatile for much of the morning, prices closed higher across the board as investors bought on weakness and relief at President Boris Yeltsin's apparent success in crushing the rebellion.

Bond dealers were glued to their television screens for much of the day, closely following the events in Russia.

GOVERNMENT BONDS

But after the initial marking down of European bond prices, many felt that the reaction had been too dramatic.

"This is a classic case of over-reaction by the European government bond markets," said Mr Jouni Kokko, international economist at S.G. Warburg Securities.

He pointed out that the turmoil in Russia was obscuring the generally favourable economic background to the European bond markets which are expected to benefit from falling inflation and cuts in interest rates.

■ THE GERMAN government bond market, usually one of the most sensitive to turmoil in Russia, recouped its early losses and closed higher.

The bund future contract, which closed at 98.86 on Friday, opened at 98.35 yesterday and reached a high of 99.05 before trading at 98.97 in late afternoon.

■ UK GILTS ended higher on the day, as dealers pointed out that many investors regard sterling assets as a safe haven in times of turmoil.

Furthermore, the economic background still looks favourable in the UK and supply worries have disappeared temporarily.

The market's immediate domestic concerns remain the Conservative Party conference this week, and the release of the September inflation figures next week. *Gilts closed* between ⅛ and ¼ point higher on the day with 10-year issues seeing the biggest rise.

■ JAPANESE government bonds opened on a weak note, as dealers marked down prices on the back of the weekend's events in Russia while news of further supply at the long end depressed prices even further.

However, late short-covering *revived the market and government* bond prices ended higher on the day.

Japanese bond prices weakened in overseas trading on Friday, following the announcement by the Ministry of Finance that it will no longer buy bonds outright through its trust fund bureau.

The bureau has bought about Y100bn of bonds a month over the last nine months, dealers said.

News that the Ministry of Finance plans to auction about Y300bn of 20-year bonds today pushed down prices at the long end, an area of the market which has performed well in recent weeks as investors looked for capital gains.

Furthermore, since the cut in the official discount rate last week, *some investors have* shifted into the longer maturities for the yield, as they can obtain a higher return than on bank deposits and other Japanese investments, dealers said.

■ ALTHOUGH US Treasury prices rose across the board yesterday morning in the wake of the political turmoil in Russia, analysts were surprised that the usual flight-to-quality that accompanies such events did not provide the bond market with a bigger lift.

By midday, the benchmark 30-year government bond was up $\frac{5}{32}$ at $103\frac{19}{32}$, yielding 5.985 per cent. At the short end of the market, the two-year note was up $\frac{1}{32}$ at $100\frac{1}{32}$, to yield 3.809 per cent.

The news from Moscow set *the scene for early* gains in Treasuries. Traditionally, US government securities are seen as a safe haven for investors worried about political crises in major world powers.

Yet the benefits for the Treasury market yesterday were relatively modest.

This was partly because by the time New York had trading started the worst of the crisis appeared to be over, and partly because both the Japanese and European markets had reacted relatively calmly to the events, judging that the repercussions from the unrest would be mostly contained within Russia's borders.

FT FIXED INTEREST INDICES

	Oct 4	Oct 1	Sep 30	Sep 29	Sep 28	Year ago	High *	Low *
Govt Secs (UK)	102.06	102.04	102.17	101.88	101.87	87.72	102.86	93.28
Fixed Interest	122.94	123.06	123.05	122.64	122.66	102.54	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27
Gilt Edged Bargains	85.2	105.2	131.6	88.6	109.5
5-Day average	106.3	107.0	105.2	97.0	99.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.0504	-0.013	6.69	6.80	6.60
BELGIUM		9.000	03/03	111.2000	+0.500	7.31	7.25	7.38
CANADA *		7.500	12/03	103.6500	+0.300	6.99	6.91	6.70
DENMARK		8.000	05/03	109.2250	+0.035	6.66	6.70	6.80
FRANCE	BTAN	5.750	11/98	100.7507	+0.044	5.57	5.59	5.65
	OAT	6.750	10/03	105.1700	+0.040	6.04	6.06	6.15
GERMANY		6.500	07/03	103.0450	+0.100	6.08	6.10	6.13
ITALY		10.000	08/03	106.9850	+0.320	9.27†	9.44	9.75
JAPAN	No 119	4.800	06/99	107.6233	+0.023	3.22	3.37	3.56
	No 157	4.500	06/03	104.9287	+0.111	3.81	3.85	4.04
NETHERLANDS		7.000	02/03	107.4800	+0.160	5.93	5.97	5.99
SPAIN		10.900	08/03	111.6500	+0.150	9.05	9.14	9.00
UK GILTS		7.250	03/98	103-21	+4/32	6.30	6.28	6.30
		8.000	06/03	107-27	+7/32	6.87	6.98	6.83
		9.000	10/08	116-03	+4/32	7.23	7.31	7.22
US TREASURY *		5.750	08/03	103-09	+9/32	5.32	5.34	5.29
		6.250	08/23	103-22	+12/32	5.98	5.99	5.94
ECU (French Govt)		8.000	04/03	108.9000	-0.050	6.70	6.88	6.66

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Report examines ways to reduce settlement risk

By Antonia Sharpe

A WORKING group set up by the central banks of the Group of 10 leading industrial nations and the Bank for International Settlements (BIS) has published a report* examining ways to reduce risk and increase efficiency in the settlement of cross-border and multiple-currency transactions.

The settlement of such transactions raises significant systemic risk concerns, owing to the huge daily volumes involved. For example, the BIS estimates that global foreign exchange market activity amounted to $880bn per day in April 1992.

The lack of simultaneous delivery of currencies and the interdependence of payment system participants throughout the world also present considerable risks, the report says.

A fundamental concept highlighted in the report is multi-currency delivery-versus-payment (DVP) which ensures that the final transfer in one currency only occurs if a final transfer of the other currency or currencies also takes place.

When transfers are made using a DVP mechanism, "Herstatt risk" – that is, the loss of the principal value of one or more payments in a sequence – does not arise, though other risks may still be present.

The term "Herstatt risk" derives from an episode in 1974 when a German bank of that name was closed at the end of the German banking day but before the end of the banking day in North America.

As a result, the D-Mark leg of some of Herstatt's foreign exchange contracts had been settled before the closure of the bank but the dollar legs of those contracts had not yet been fully paid.

The report also notes that serious liquidity problems could arise in the absence of a multi-currency DVP settlement process.

For instance, a fear of incurring a principal risk might lead some market participants to refuse to honour their obligations in earlier-settling currencies out of concern that a "suspect" counterparty would not be able to settle its associated obligations in later-settling currencies.

**Central bank payment and settlement services with respect to cross-border and multi-currency transactions, published by the Bank for International Settlements, Basle, Switzerland.*

France Telecom opens 13-year maturity with FFr2bn offering

By Antonia Sharpe

The French franc sector of the international bond market was active yesterday as France Telecom and the Kingdom of Sweden raised FFr3bn between them.

Other features included a $500m seven-year issue from Telecom Argentina which was heavily-oversubscribed, and exchangeable bond offerings from Pennzoil, the US oil company, and Cir, the holding company of Mr Carlo De Benedetti, the Italian industrialist.

France Telecom opened a new maturity in the French bond market with its FFr2bn offering of 13-year Eurobonds. The bonds were priced to yield 16 basis points over the interpolated yield curve between the French government bonds due 2004 and 2008.

Joint lead manager CCF said that the low re-offer price of 98.53 indicated that France Telecom might re-open the issue at a later date. There was strong demand for the bonds in Germany and Switzerland.

Sweden insured itself against a rise or a fall in French interest rates with its FFr1bn offering of callable Eurobonds. This structure has been used extensively in the Eurolira sector in recent weeks.

INTERNATIONAL BONDS

The bonds have a life of 10 years but are callable after two years. The bonds were priced to yield 35 basis points over the 6¾ per cent French government bond due 2003 but yielded 90 basis points over two-year government notes.

Lead manager CCF said *around a third of the issue was* placed with domestic investors and the rest elsewhere in Europe. Supranational, corporate and institutional investors were the main buyers.

Demand for Telecom Argentina's issue was such that it was able to raise double the amount it had originally planned as well as complete its borrowing needs for this year.

Lead manager Chase said the issue was the largest from a Latin American corporate borrower after Cemex's $1bn five-year issue which was launched in May. It was therefore likely to become the benchmark for other Argentine private-sector borrowers seeking to access the Eurobond market.

More Latin American issues are expected in the next few weeks, including a $100m three-year offering from Pérez Companc, Argentina's largest private oil producer.

Pennzoil and Cir tapped current demand for convertible paper with exchangeable bond offerings designed to re-finance their equity holdings in Chevron and Olivetti, respectively.

Lehman Brothers, which arranged both deals, said Pennzoil's 10-year $250m offer appealed to investors seeking defensive holdings. The issue is callable after five years, giving investors an exposure to the oil sector and the dollar.

Cir's L282bn issue offers exposure to a recovery in Olivetti's share price. The five-year deal was priced at a discount of 81.50 and yield to maturity was 6¼–6½ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Telecom Argentina	500	8.375#	99.40R	Oct.2000	1.125R	+348(8¾%-00)	Chase Investment Bank
Pennzoil Co.(a)§	250	(a)#	100	Oct.2003	-	-	Lehman Brothers Intl.
Woodfield Finance Corp.(b)‡	172	(b)	100	Oct.1998	undiscl.	-	JP Morgan Securities
K.Peabody Accept.Corp.1(c,d)‡	100	(d)	(d)	Sep.1998	undiscl.	-	Kidder Peabody Intl.
K.Peabody Accept.Corp.1(c,e)‡	100	(e)	(e)	Sep.2000	undiscl.	-	Kidder Peabody Intl.
FRENCH FRANCS							
France Telecom	2bn	6.25	98.53R	Nov.2006	0.35R	+16 (f)	CCF
Kingdom of Sweden(g)	1bn	6.45	100R	Oct.2003	0.325R	+35 (6¾%-03)	CCF
CANADIAN DOLLARS							
Bayerische Landesbank‡	100	(h)	99.875R	Nov.2003	0.50R	-	Merrill Lynch/ Wood Gundy
ITALIAN LIRE							
Cie Industriali Riunite(i)§	282bn	(i)	81.50	Oct.1998	2.50	-	Lehman Brothers Intl.
AUSTRALIAN DOLLARS							
GMAC Australia Finance	50	7.25	101.55	Nov.1998	2.00	-	Hambros Bank
HONG KONG DOLLARS							
Swedish Export Credit	300	(j)	100R	Nov.1998	0.25R	-	Morgan Stanley Asia

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Exchangeable into Chevron shares at indicated premium of 20-23%. Fixing: c8/10/93. Coupon indicated at 4¾-5¼%. Callable after 5 years at par. b) Coupon pays 3-month Libor +0.5%. Callable at 100¼% for 1st 2 years and par thereafter. Extension clause. c) Backed by 15 shopping malls. Priced by Friday. Expected maturities are shown: actual maturity is Sep.2006. d) Class A1 certificates. Indicated coupon: 1-month Libor + 0.50-0.55%. e) Class A2 certificates. Indicated coupon: 1-month Libor + 0.65-0.70%. f) Spread is over interpolated OAT's. g) Callable at par on coupon payment dates from 28/10/95. h) Coupon pays 3-month BA's - 0.3%; minimum 6%, maximum 9%. i) Exchangeable into Olivetti shares at indicated premium of 12-15%. Priced around Thursday. Indicated coupon: 1.83-2.24%. Callable from Oct.1996 at accreted value and from Oct.1994, subject to 130% rule, at accreted value. j) Coupon pays 13.35% - 2 x 3-month Libor for 1st 2 years and 6.5% fixed (semi-annual) thereafter.

Futures volume jumps on Chicago exchanges

By Laurie Morse in Chicago

VOLUME at Chicago's two big futures exchanges surged in September.

Chicago Board of Trade volume hit 16.4m contracts in September, up 34 per cent from a year ago. Volume for the first nine months of the year was 131.2m, a 15 per cent increase from a year ago.

Although some analysts expected turnover in CBoT's Treasury bond futures to fall after a US Treasury decision to issue fewer long bonds, September T-bond futures volume jumped 25 per cent to 7.4m and T-bond options by 60.5 per cent to 2.5m.

At the Chicago Mercantile Exchange, exchange-wide volume hit 13.8m contracts in September, the second-busiest month on record and a 20.4 per cent increase from a year ago. For the first nine months, CME volume was up 11.2 per cent at 110.5m contracts.

Eurodollar futures and options volume scored a record in September, at 7.8m contracts. Eurodollar options volume advanced 29 per cent over last year, and Eurodollar futures 34.8 per cent.

Exchange officials attributed the robust activity to institutional swaps traders who lay off risks from over-the-counter transactions on the exchanges.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on October 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	103¾	104	+⅜	5.97
AlbertaProvince 9⅜ 96	500	109⅞	110⅛	+⅛	4.26
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅜	100⅜		7.86
Genfinance Lux 9⅛ 99 LFr	1000	107¼	110½		7.46
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	4	15
Other Fixed Interest	0	3	12
Commercial, Industrial	413	218	789
Financial & Property	241	86	494
Oil & Gas	25	18	36
Plantations	2	0	6
Mines	21	47	68
Others	30	52	42
Totals	793	428	1,462

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
140	Nil	22/10	34pm	32pm	Adwest	34pm	
120	Nil	4/11	19pm	6pm	Appleyard	10pm	
35	Nil	-	1pm	½pm	Britannia	½pm	
150	Nil	2/11	23pm	18pm	JIB	23pm	
260	Nil	2/11	65pm	48pm	MB Caradon	65pm	+5
160	Nil	10/11	23pm	17pm	Perry Group	17pm	-2
120	Nil	3/11	22½pm	13¾pm	Tarmac	20½pm	-1½
72	Nil	13/10	7pm	5pm	Wates City of London	5pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 27
- Last Dealings Oct. 8
- Last Declarations Dec. 30
- For settlement Jan. 10

3-month call rate indications are shown in Saturday editions.

Calls: Avesco, ASDA, Channel Hldgs., Crest Nicholson, Enterprise Comp., Greycoat Pref., Marshalls, Medeva, Radius, Rolls Royce, Seafield and Shanl. Puts: Dares Ests. and Perpetual. Puts & Calls: BTR Wrts., Blacks Leisure, Cathay Intl. and Crest Nicholson.

LIFFE EQUITY OPTIONS

[illegible]

October 4 Total Contracts 26,123
Calls 16,343 Puts 9,780
FT-SE Index Calls 5,053 Puts 6,375
Euro FT-SE Calls 2,452 Puts 661
*Underlying security price. †Long dated expiry mths. Equity premiums are based on closing offer prices. Index options are settlement prices.

FT-SE ACTUARIES INDICES

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FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Oct 4	Day's change %	Fri Oct 1	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.78	+0.06	128.70	2.09	8.58
2	5-15 years (22)	155.82	+0.22	155.49	2.05	10.12
3	Over 15 years (9)	175.50	+0.12	175.29	1.39	9.70
4	Irredeemables (6)	206.57	-0.19	206.97	3.58	8.83
5	All stocks (62)	151.31	+0.15	151.09	1.97	9.61
	Index-Linked					
6	Up to 5 years (2)	187.45	+0.14	187.19	0.05	4.28
7	Over 5 years (11)	184.82	+0.16	184.53	0.84	3.89
8	All stocks (13)	184.19	+0.16	183.90	0.75	3.92
9	Debs & Loans (66)	143.07	+0.30	142.65	1.96	8.81

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 4	Fri Oct 1	Year ago (approx.)
	British Government				
1	Low	5 years	6.26	6.28	8.21
2	Coupons	15 years	7.08	7.10	9.08
3	(0%-7¾%)	20 years	7.21	7.21	9.32
4	Medium	5 years	6.51	6.54	8.77
5	Coupons	15 years	7.22	7.24	9.57
6	(8%-10¾%)	20 years	7.29	7.30	9.70
7	High	5 years	6.70	6.74	9.03
8	Coupons	15 years	7.45	7.46	9.86
9	(11%-)	20 years	7.47	7.48	9.90
10	Irredeemables(Flat Yield)		7.37	7.35	9.79
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.53	2.57	3.71
12	Inflation rate 5%	Over 5 yrs.	3.18	3.18	4.19
13	Inflation rate 10%	Up to 5 yrs.	1.74	1.78	2.95
14	Inflation rate 10%	Over 5 yrs.	3.00	3.01	4.01
15	Debs &	5 years	7.85	7.89	10.19
16	Loans	15 years	8.15	8.17	10.78
17		25 years	8.28	8.30	10.83

BZW launches £100m food retail warrant

By Christopher Price

BARCLAYS DE Zoete Wedd, the stockbroker, yesterday launched a £100m warrant for the food retail sector in one of the first such moves involving UK-only traded stocks.

Investors will be able to buy a warrant at yesterday's closing mid-prices for a basket of food retail shares weighted by market capitalisation. The cost of the warrant – which allows investors to exercise an option to buy the shares at the price on the day of purchase – is 230p based on a basket price of £18.80. Investors then have until April 1995 to exercise their warrants.

BZW said it had decided to use the warrant instrument as a way of encouraging investors back into the depressed food retail market. Shares in the sector have underperformed the FT-SE All-Share Index by over 30 per cent in the past six months.

The launch coincided with the stockbroker's research team adopting a more positive recommendation on the food retail stocks.

Sainsbury heads the basket weighting of seven food retailers, with 40 per cent, followed by Tesco (21 per cent) and Argyll (17.5 per cent).

The sector has had a turbulent six months. Investor concern has focused on lower margins caused by increasing competition and the threat posed by discount chains, with US and European operators moving into the UK market.

Results from the leading supermarket groups have confirmed the City's fears. The threat of VAT on food in next month's budget has also undermined investor sentiment.

Capital & Regional back in the black

By Peter Pearse

CAPITAL & Regional Properties, the USM-quoted company which last week said it was to float off its US property interests as a publicly traded Real Estate Investment Trust, moved into the black in the six months to June 24.

In the first half of what Mr Martin Barber, chairman, described as "a milestone year for the group", pre- and post-tax profits emerged at £151,000, compared to losses of £137,000 last time.

Mr Barber said that in the past 18 months the group's portfolio had doubled in monetary terms – it had stood at £25m in the balance sheet at the year-end – as a result of the group's "intensive efforts". In the period under review, C&R made acquisitions which totalled £25.7m.

Mr Barber said that there were more UK acquisitions "in the pipeline" and that the REIT was set to have $200m (£130m) worth of property, up from about $85m now.

Mr Barber said that the acquisitions had been well timed, adding that the window for the buying of investment property was "still open".

"Although yields have come down, the opportunities still look pretty good." Shareholders had indicated that they would not be averse to a further expansion of the equity base.

Rental and management fee income rose to £4.13m (£2.96m) and again there was no tax charge.

Mr Barber explained that the UK property interests worked through at about break-even, with the US "making lots in UK accounting terms, which you can then depreciate, leaving those profits tax-free".

Although the increased interim dividend of 0.5p (0.3p) is uncovered at this stage by earnings of 0.21p (losses 1.48p) per share, Mr Barber said that the first-half acquisitions would "contribute to considerably higher profits being reported in the second half".

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ardagh ....fin	2.54	Nov 19	2.385	3.265	3.115
Bilton ....int	5.67	Dec 3	5.67	-	18.9
Cap & Regional ....int	0.5†	Nov 19	0.3	-	1.1
Jove Inv Trust ....int	2.9	Nov 30	2.8	-	5.6
London & Assoc ....int	0.05	Dec 31	0.05	-	0.58
N British Can ....int	0.94	Nov 9	0.94	-	3.45
QS ....int	1.56	Dec 7	1.56	-	5.19

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Heywood Williams £10.6m glass buy

By Paul Taylor

HEYWOOD WILLIAMS Group, the building materials and automotive components company, has acquired the UK automotive replacement glass interests of TCG International for £10.6m.

The Huddersfield-based group is paying £4.4m in cash and issuing nearly 1.82m new shares, worth £6.23m based on yesterday's closing price of 343p, up 2p on the day.

TCG International's auto replacement glass business trades as Bridgewater Speedy Auto Glass, which has 53 branches throughout Britain, and Trans Britannia Glass which has two wholesale depots.

These operations, which achieved profits of £599,000 in the seven months to July 31 and had net assets of £3.19m, will be integrated with Auto Windscreens, Heywood's existing windscreen and automotive safety glazing service.

The two businesses make a good geographical fit since Heywood's auto glass operations are strongest in the north and the Midlands while Bridgewater is strongest in the south.

Heywood has been refocusing its glass businesses.

Earlier this year it sold a substantial part of its UK glass division to Pilkington for £95m and subsequently paid $53.3m (£34.5m) to acquire LaSalle-Deitch, a US-based distributor of building products and furnishings.

Mr Ralph Hinchliffe, chairman, said, "This is a good commercial deal for Heywood Williams and its shareholders. It is a logical step forward in our strategy of developing our remaining specialised glass businesses and fits in well with our overall plan for repositioning the group." Mr Hinchliffe said that it should be possible to improve the performance of the depots and make administrative savings as a result of the merger which he said will "more than fill our manufacturing operations."

TDG makes £2.1m acquisition

Transport Development Group has bought Young's (Stokesley), an established dry bulk tank operator and warehousing company, for £2.1m.

The business, which operates a fleet of over 100 tanks and containers from two locations on Teesside, will be integrated with Nexus Logistics, TDG's specialist business focused on the movement of dry bulk chemicals and foodstuffs.

Balance maintained on a floating plane

Maggie Urry analyses the recent return to popularity of seeking a stock market listing

THE RUSH of new companies wanting to join the stock market appears to show no sign of abating, with most issues having been well received by investors.

There has been a balance in the market with no swing towards flops or heavy oversubscriptions and big stagging profits. Can this happy equilibrium continue?

There seems to be a never-ending supply of companies, mainly at the smaller end of the spectrum, anxious to see their shares traded on the stock market and gain access to the equity capital they require.

So far, corporate financiers agree, the quality of the issues has been good. A company which has survived the recession of the last few years and come out with a track record fit to be seen in a prospectus, has a head start.

Many are management buy-outs, such as the forthcoming flotation of Allders, the retail group bought out from Hanson in 1989, and Parkdean Leisure, the holiday park operator bought from Beazer in the same year.

Such flotations are often seeking an exit for venture capital backers and a chance to recapitalise. As well as recession, the companies have been tested by the rigours of being bought and examined by investors, and in many cases, the financial stringency imposed by heavy debt.

Investors have yet to have their fingers badly burnt by an issue, although one or two have not opened trading at a premium. Court Cavendish, the nursing home operator, for example floated at 225p but saw the shares end their first day's dealing at 207p. Now they stand at 200p.

Says one merchant banker: "There have been no flops yet. But when venture capitalists sell, you know the market is too high."

He contrasts the prices available through trade sales and those through flotation. With only a few exceptions, such as Glass Glover, which was bought by Unigate, and Medway Ports which fell to Mersey Docks and Harbour, companies are planning to float to obtain a higher price than they could achieve in a takeover.

Usually the reverse is true, with takeover multiples higher than flotation ratings, reflecting a premium for control. Currently, the market is on a high historic rating while bidders are wary of making acquisitions.

Says a stockbroker: "We are still in the early phase of the economic upturn. It is unlikely investors will be burnt soon, but it will happen one day".

Another adds: "Our sense is that the quality is still good". However, "there will be some issues people will regret in three to five years time".

All say that it is up to the issuing houses to act as quality controller. "We must be very careful about the quality of companies we sponsor," says one merchant banker.

However, is there sufficient demand from investors to match the supply of new companies?

Although there are no signs yet of a turn against new issues, the market is fickle and the tap of capital can be turned off rapidly. A promising start to 1992 was disrupted in the summer when some flotations went badly. It was not until the autumn that confidence was regained.

One difference this year is that institutional investors have become keen on small companies again and smaller capitalisation stocks have outperformed the top shares.

Flotations, says one broker, "are a means for large investors to commit material amounts to smaller companies . . . and ones which are newly verified" referring to the scrutiny sponsors apply to companies before they are floated.

Institutions can buy a large block of shares through the institutional placing element of an issue. With already quoted companies they can spend weeks trying to build a decent holding through the market.

The institutional appetite for new equity reflects the rise in the stock market this year and has been demonstrated by the take up of rights issues. These, at approaching £10bn so far in 1993, far outweigh the supply of new shares from flotations.

Further, some of the shares of larger companies coming to market may prove more attractive than those being issued in rescue rights by floundering companies.

James Capel, the stockbroker which has been involved in many new issues this year, reckons that shares in management buy-outs which float perform better than the market. This confounds the sceptical view that mbo managers dress their companies up for sale so as to realise the maximum incentives under ratchet arrangements typical of such buy-outs.

However, the list of forthcoming floats includes a number of larger companies such as Gartmore, the investment management house, DFS Furniture, the retailer, Allders, and, after Christmas, Dairy Crest, the dairy products group, and possibly William Hill, the betting shop chain. These may prove to be a tougher test of the market's acceptance of new issues.

As well as institutions, private investors appear to be taking an interest in new issues, although few involve full offers for sale. Retail investors may fear they will find it harder to buy shares in flotations because of the Stock Exchange's upcoming changes in the issuing rules.

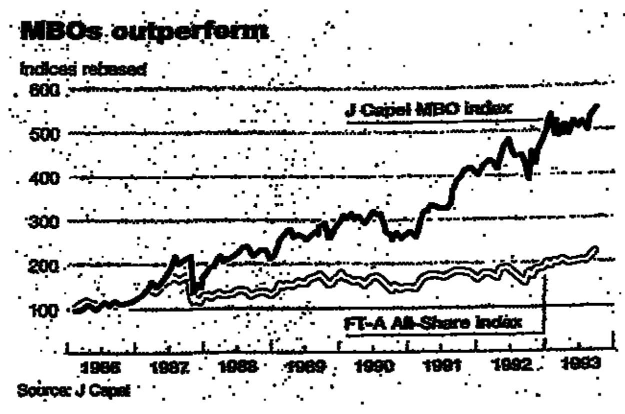
From December 1 issuers can place firmly shares worth up to £25m with institutions, an increase from the existing £15m. Issues above £25m but below £50m must involve a financial intermediaries offer as well, where investors can apply to buy shares through an intermediary such as a stockbroker.

Public offers, in which investors can fill in an application form from a newspaper or a prospectus, are required above £50m, a rise from £30m.

Mr Nigel Atkinson, head of listings at the Stock Exchange, believes retail investors can successfully use the financial intermediaries offer to apply for shares, and he has had no complaints from people saying they have been denied the opportunity to participate.

At the moment there seems no cloud on the horizon to disrupt the balance between supply and demand. However, market operators who remember the flops and oversubscriptions of the past, believe it is only a matter of time before something goes wrong.

But if sponsors exercise sufficient control over the companies that come to market, and estimate demand for and price issues correctly, the worst excesses of the past should be avoided.



Innovative joint venture to invest in Lloyd's

By John Gapper
Banking Editor

PLANS FOR an innovative form of corporate capital vehicle to invest in the Lloyd's of London insurance market were announced yesterday in a joint venture by Hambros, Murray Lawrence Members Agency and Hoare Govett.

The venture will be a £50m investment company which will secure underwriting capacity at Lloyd's with bond investments, rather than the equities portfolios expected to be favoured by the investment trusts that have been announced so far.

Details were also announced of Syndicate Capital Trust, a fund intended to raise up to £50m, being launched by Raphael Zorn Hemsley, the stockbroker, and Insurance Analysis Limited, a Lloyd's adviser.

The moves are the latest indication of corporate interest since Mr David Rowland, Lloyd's chairman, announced plans to attract corporate capital to restore underwriting capacity following heavy losses sustained by some Names.

The plan to admit limited liability corporate capital will be debated at an extraordinary meeting on October 20, and both vehicles which announced proposals yesterday intend to offer shares following that, if it is approved.

Mr Stephen Drake, finance director of MLMA, said it had chosen to establish an investment company rather than a trust because it intended to hold most capital in gilts and money market instruments, which involved little risk.

The joint venture, for which Hambros Investment Management will manage funds and Hoare Govett will act as broker, is expected to attract mainly institutional investment, but will seek retail investment through personal equity plans.

The company expects to participate in a maximum of 25 syndicates, and will underwrite at Lloyd's through five wholly owned corporate members.

Hillsdown sells more abattoirs

By Alison Maitland

HILLSDOWN HOLDINGS, the food group, is on the way to completing its withdrawal from the red meat slaughtering industry with the sale of three more abattoirs in the north-east of England.

The abattoirs, in Sunderland, Bedale and Doncaster, were sold for an undisclosed sum by Hillsdown's FMC slaughtering subsidiary to Northern Counties Meat Group, a new consortium formed by FMC management and backed by financial investors.

One of Hillsdown's aims was to sell the abattoirs as a going concern in order to preserve the jobs of 130 employees.

The latest sale leaves Hillsdown with five abattoirs. The group announced with its interim results last month that it expected to be out of the business altogether by the end of the current year. It has been reducing the number of abattoirs from over 25 during the past two years in an effort to move away from an increasingly unprofitable industry.

The sale is in line with provisions made last year when Hillsdown took a £92.3m provision to cover its withdrawal from the slaughtering business and other problems.

BTR forms UK packaging arm

By Andrew Bolger

BTR, the industrial conglomerate, has brought together its UK packaging interests in a new company, ACI Rockware Group, which it said would create a focus for future growth under new management.

BTR dominates the market for glass containers in Australia and the Pacific Rim, and bought into the UK and Europe through its £197m acquisition of Rockware in 1991.

The new group will comprise Rockware Glass, one of the UK's biggest manufacturers of glass containers; Dartington Crystal, which makes giftware; ACI Rockware Plastics; and ACI Rockware's UK metal packaging operations, Decorpart and Presspart Manufacturing, plus Presspart's US associate.

ACI Rockware said the reorganisation in the UK was designed to consolidate the management and operation of the group companies.

Mr Alan Peterson, 45, who joined Rockware on 1990 as managing director of ACI Rockware Plastics, will fulfil the same role for the new group.

Mr Allan Mawby, 43, previously finance director for ACI Rockware Plastics, will be group finance director.

The group will continue to be part of ACI Packaging, which manages BTR's worldwide glass and plastics packaging operations. ACI is a division of BTR Nylex, the highly profitable subsidiary in which the UK company has a 61 per cent stake.

A determined stamp of authority

Roland Rudd and Robert Peston report on the changes to Lonrho's structure

RESTRUCTURING Lonrho's complicated mix of businesses was always going to be the easy part. Mr Dieter Bock has now chosen to change the international trading company's board, an altogether more delicate task.

The German financier, who at the beginning of the year acquired an 18.8 per cent stake in the conglomerate and was then appointed joint chief executive with Mr Tiny Rowland, is determined to stamp his authority on the company with the appointment of non-executive directors.

Lonrho's board, meeting on Thursday, is expected to approve the appointment of its first two non-executives for two decades: Mr Peter Harper, director of Hanson, the Anglo-American conglomerate and Mr Stephen Walls, chairman of Albert Fisher, a food processor and distributor.

Mr Rowland, who has been Lonrho's guiding force for 30 years and has been opposed to non-executives since the "straight eight" directors unsuccessfully tried to remove him in 1973, is not expected to block the moves.

Their arrival should mark the beginning of a number of changes to the way Lonrho is run which could prove uncomfortable to some of the board's longer-serving members.

The new directors will be set a number of delicate tasks. They will join its remuneration committee and re-evaluate directors' pay. They will also determine what to pay Mr Bock, who has not drawn a salary since becoming joint chief executive.

They will also set up the company's first ever audit committee, to review its auditing procedures and financial performance on a regular basis.

Mr Bock wants to concentrate on three core businesses; mining, hotels and agriculture. But despite the sale of many of the group's businesses, including the lossmaking Observer, Lonrho still has a slightly negative cashflow – though it could turn neutral next year.

There are likely to be further disposals outside the three core areas. Profits from these could be *significant* if the recent sale of a property in Brussels is any guide.

It fetched £30m, to yield a £13m profit. That is a substantial contribution to earnings, yet few of Lonrho's shareholders probably knew the company owned that asset.

Trevor Humphries

Dieter Bock: embarking on a delicate reorganisation task

Profits are likely to receive a further boost from a reduction in the costs of running the London headquarters at Cheapside, which are estimated to be more than £20m a year.

There are likely to be significant cuts in the number of head office staff from the current 160 and the number of executive board members, currently 12, will also come down.

Some of the full-time executives, who have grown used to the somewhat idiosyncratic manner in which Mr Rowland has effectively run Lonrho for the past 30 years, may be wary of some of the planned changes.

One of Lonrho's few institutional shareholders, while welcoming the appointment of new non-executives, yesterday voiced concern as to whether they will be in a strong enough position to push through the changes needed to rebuild bridges with the investment community.

Mr Harper, who has been responsible for Hanson's investor relations, has been criticised in the past by some fund managers for not keeping them sufficiently briefed on the company's affairs.

Last year Mr Walls was forced out as chief executive of Arjo Wiggins Appleton, the Franco-British paper company, after losing a board room battle over strategy.

Both men will however have the full backing of Mr Bock, who took full responsibility for finding them. He plans to add to their ranks with a further one or two non-executive appointments in the coming months.

In order to establish better relations with institutions, which own a relatively small proportion of Lonrho's shares compared with other big companies, Mr Bock believes the company has to become a more open company.

Lonrho has only four big shareholders: Fidelity, with 8.9 per cent; UBS Phillips and Drew Fund Managers, with 2 per cent; Postel with 1.5 per cent; and Genting, a Malaysian plantations and gaming group, with 3.9 per cent.

For all the speed with which Mr Bock is trying to transform Lonrho, he cannot expect an overnight increase in the proportion of shares held by institutions. They are likely to want to see the effects of his changes before buying.

NEWS DIGEST

Hammerson £100m 10 year bonds

HAMMERSON Property Investment and Development has issued £100m 7.875 per cent 10 year eurosterling bonds 2003. The issue has been fully underwritten.

The new bonds would extend the average maturity of Hammerson's borrowings from eight to nine years and be used to repay short term bank borrowings, he added.

The joint lead managers to the issue are Barclays de Zoete Wedd and NatWest Capital Markets. Co-lead managers to the issue are JP Morgan Securities and Kleinwort Benson.

The bonds will be payable annually in arrears on October 27. The fixed re-offer price of the bonds will be 95.691 per cent, representing a gross redemption yield of 8.358 per cent on a semi-annual basis.

BLP shows advance to £194,000

BLP Group, the USM-quoted wood laminate and veneer company, reported profits before tax increased from £11,000 to £194,000 for the six months to June 30 as difficult trading in the UK was offset by a buoyant performance by its Woodtape business in the US.

Turnover amounted to £13.5m (£11.8m).

Avon joint £3m Welsh investment

Avon-S&H, a joint venture between S&H Fabricating and Engineering, of Sandford, Florida, and Avon Rubber, is to go ahead with a £3m investment at Williamstown, South Wales.

This establishes a second production unit for Avon's hose and coupling assemblies for vehicle air conditioning systems which is expected to create nearly 160 jobs over the next three years.

Sharp recovery at CH Bailey

CH Bailey, the engineering, shiprepairing and leisure group, recorded a pre-tax profit of £446,379 in the year ended March 26 1993, against a £1.09m loss previously. Turnover increased from £3.54m to £3.71m.

Earnings per share were 0.74p (losses 1.8p).

Ardagh at I£1.67m after exceptional

Ardagh, the Dublin-based glass manufacturer, reported pre-tax profits lower at I£1.67m (£1.59m), against I£4.21m, for the year to June 29. The outcome was struck after an exceptional charge of I£2.07m.

Turnover was I£30.4m (I£32.5m) and earnings per share came out at 4.29p (11.18p).

The dividend is increased from 3.115p to 3.265p with a proposed final of 2.54p.

QS drops to £1.68m after higher costs

Higher costs following the devaluation of sterling in September 1992 hit QS Holdings, the clothing retailer, which saw profits for the half year to July 30 decline from £3.86m to £1.68m.

Turnover moved ahead from £23.2m to £24.7m.

Earnings per share came out at 2.79p (6.57p); the interim dividend, however, is unchanged at 1.56p.

Securicor £4m acquisition

Securicor Omega Express, part of the Securicor Group, has acquired Scottish Express, the freight transporter, from BAA for £4m.

The alliance between Securicor Omega, the overnight small parcels carrier and Express, will enable both companies to strengthen their services, Securicor said.

North British Canadian ahead

North British Canadian Investment raised net asset value to 137.1p at the end of August, against 118p six months earlier and 95.9p the year before.

Net earnings dropped from £505,000 to £471,000 for the six months period and earnings per share were 1.74p (1.87p). The interim is again 0.94p.

COMPANY NEWS: UK

Rental income maintained as Bilton hits £9m

By David Blackwell

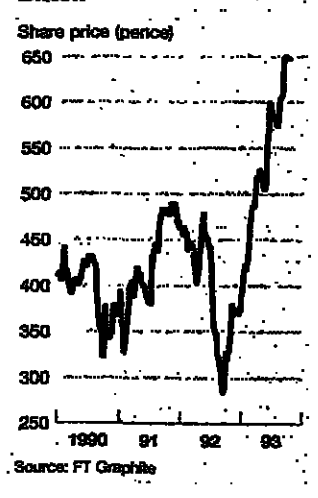
PRE-TAX profits at Bilton, the property investment and construction company, edged ahead to £8.99m for the half year to June 30, against £8.88m last time.

Mr Hugh Free, chairman, said that in spite of recession, rental income flow had been "strongly maintained." While growth had been restricted by some liquidations and receiverships, "rent reviews and new lettings have been very satisfactory."

Net rents receivable were up from £12.1m to £12.2m. After property management expenses net investment income dipped from £11.3m to £11.2m.

Turnover in the building and construction division fell from £5.55m to £4.78m, and trading profit dropped from £386,000 to £137,000. The company said that civil engineering, private housing and plant hire had all suffered in a very competitive market.

Bilton



Source: FT Graphite

After administrative expenses of £943,000 (£1.04m), operating profits were £10.4m (£10.6m). Net interest payable fell from £1.73m to £1.37m.

Earnings per share rose from 13.9p to 14.1p. The interim dividend is maintained at 5.67p.

Jove Investment net asset value rises to 52.74p

Jove Investment Trust saw net asset value increase from 22.57p per capital share at August 31 1992 to 52.74p at the current mid-way point, a further increase from 38.38p at February 28.

Net revenue was down at £423,000 (£480,000). Earnings per income share for the six months to end-August came out at 2.99p (3.39p).

Since the period end, the trust has received £750,000 from the redemption by Oceonics Group of its preference capital.

A further £300,000 is expected from the arrears on the preference shares, payable in January and July 1994.

Directors decided to increase the interim dividend to 2.9p (2.8p) and are anticipating a final of not less than 5.8p (5.6p).

London & Assoc improves to £713,000

London & Associated Investment Trust, the property investment company, reported pre-tax profits of £713,000 for the first half of 1993, against £540,000 restated for FRS 3.

Gross income came to £2.2m (£1.97m). The property portfolio, which is spread throughout the UK, was expanded by the £4.1m purchase of the Brunel Centre in Bletchley. The net interest charge rose to £641,000 (£552,000).

Earnings per share were 0.64p (0.5p) and the interim dividend is a maintained 0.05p.

● Bisichi Mining, its 42 per cent-owned property and mining finance associate, reported static pre-tax profits of £102,000 (£106,000) for the same period.

Earnings per share were 0.74p (0.81p).

Red is go as a gamble pays off

Tim Burt reports on ShareLink as it prepares its first results

WHEN THE traffic lights turn red on the dealing floor at ShareLink Investment Services, the traders know it is time to step up their pace.

The wall-mounted lights signal the calls queueing up for the Birmingham-based company's telephone dealing service. Green allows some of the 200 operators to linger over their transactions; amber means it's time to wind up; if all the lights turn red – get off the line because one of ShareLink's 1,500 new customers a week is waiting to get through.

Business has continued to grow rapidly since its £42m flotation two months ago, reflecting both the buoyancy of the equity market and ShareLink's broadening range of services.

From a no-frills telephone stock brokerage service, it has expanded into self-select Peps, traded options, and a North American stocks service.

The company, currently preparing its first interim results since flotation, predicts the figures next month will justify its decision to look for additional trading premises in the Midlands and consider outlets in continental Europe. Its shares, floated at 250p, closed yesterday at 335p.

Growing demand for ShareLink's services – running currently at 2m calls and up to 3m postal transactions a year – is partly because of the reluctance of many small investors to deal with traditional brokers, according to Mr David Jones, the group's founder and chief executive.

Mr Jones, a miner's son who had no experience of financial services before setting up the company in 1987, hit on the idea of a no-frills dealing operation because of his own fears of being over-charged by City brokers.

"I had a couple of thousand pounds to invest but was petrified of ringing a stockbroker. I thought there must be an easier way to make a low-cost transaction. This is it."

The former British Telecom executive scans his main dealing floor in Birmingham with some satisfaction. When the clearing banks rejected his business plan, he went ahead without them – launching the service with management backing from his old employers and finance raised by brokers Albert E Sharp.

The gamble paid off. Set up on a £1m budget, the company exploited a market vacated when several City firms withdrew from private client services in the wake of Big Bang. That market was boosted by customers attracted to equities by the large privatisation issues.

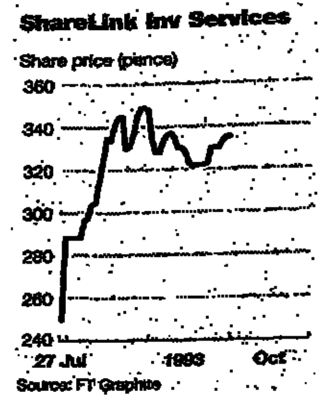
Last year Mr Jones felt ready to lead a management buy-out in which he remained the majority shareholder.

The traffic lights, meanwhile, continued to turn red. And this summer, buoyed by figures showing it had captured 10 per cent of all UK transactions by volume, ShareLink floated.

Coming to the stock market has been a lucrative transaction for the founder. He has cashed in shares worth £1.8m, while retaining a 14 per cent stake worth £7.7m.

Although the management

ShareLink Inv Services



Source: FT Graphite

in the year to April 1992 to about 200 at present.

Today, customers calling to buy shares are put through to a central dealing floor which used to be the home of the regional blood donor service. The newly offered services are catching on with ShareLink handling more than £100m in self-select Peps and claiming 25 per cent of the retail

Growing demand for ShareLink's services is partly because of the reluctance of many small investors to deal with traditional brokers, says Mr David Jones, the group's founder and chief executive. With no experience of financial services before setting up the company he had the idea of a no-frills operation because of his own fears of being over-charged by brokers.

"I had a couple of thousand pounds to invest but was petrified of ringing a stockbroker. I thought there must be an easier way to make a low-cost transaction. This is it."

team are pleased with the performance of turnover of £14.3m and pre-tax profits of £3.1m in the year to March 31, the group's rise to its present cruising altitude has not been without turbulence.

Public appetite for equities was severely dented by the stock market crash in October 1987, undermining the private client business. Inefficiencies also emerged as the managers tried to co-ordinate a fledgling share service based at three different sites.

Increasingly aware of the risks in its dependency on execution-only trading, the company has also begun to diversify. The workforce, meanwhile, has been cut by more than 50 per cent from 422

market for traded options.

Since flotation the company has also put increased emphasis on its distributor services for other financial institutions.

More than 500 organisations such as Allied Dunbar and Harrods Bank have signed contracts to process their share trading through the Birmingham dealing room, giving ShareLink some guaranteed income in the event of a decline in its private client trade.

The growth of third party contracts, now accounting for 20 per cent of the business, follows the success of its 1989 link with Abbey National, the company's first outside deal.

Wholesaling for institutions was boosted further at the time of the flotation when Halifax joined the list of companies using the service.

The rapid rise of the company must be galling to some brokers. But one element of its success is its ability to set itself apart from the City, avoiding traditional elements of the Square Mile's expertise and the overheads that go with them.

ShareLink minimises its risk by leaving the decision-making to its clients. Its traders offer no recommendations on when to buy and sell, they simply execute telephone instructions in return for a commission. The profits lie in the average £100 annual commission per customer.

The company's good fortune is that few competitors have emerged to its telephone-based operations. The clearing banks pose a challenge but share dealing remains peripheral to their main business; and many large brokers prefer to concentrate on more lucrative institutional transactions than private clients.

Mr Jones, a psychology graduate, believes he knows what ShareLink customers have in mind as they look for new ways of investing. To that end, ShareLink is spending almost £3m on new software and additional premises to make the service speedier – ensuring fewer callers wait for the lights to turn red before they are answered.

During the sale of the third tranche of British Telecom shares earlier this year, when ShareLink handled applications worth £120m, the company pioneered touch-tone dealing allowing customers to buy and sell using the buttons on their telephone. The service uses "talking computers" to handle orders at the best market price at the time of the call.

The chief executive, who had never clapped eyes on a share certificate until ShareLink had been trading for six weeks, admits such innovations are regarded as somewhat vulgar by traditional brokers. But he says he's happy to be regarded as the B&Q of share trading.

"There's £20bn stashed under the beds in this country. I'm after that business," he says.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.01	18.12	18.12
0100	18.01	18.11	18.11
0130	18.05	18.11	18.11
0200	33.78	18.11	18.11
0230	21.00	18.11	18.11
0300	18.60	18.11	18.11
0330	18.05	18.11	18.11
0400	18.08	18.11	18.11
0430	18.01	18.11	18.11
0500	18.01	18.11	18.11
0530	18.03	20.54	23.24
0600	18.01	20.09	22.79
0630	18.05	20.54	23.25
0700	23.75	21.54	24.25
0730	25.01	23.73	26.45
0800	31.96	24.89	27.60
0830	32.08	27.55	30.28
0900	32.28	28.07	30.84
0930	32.22	28.19	30.38
1000	28.62	28.24	31.05
1030	28.54	28.32	31.15
1100	28.42	28.48	31.38
1130	28.54	33.47	36.43
1200	28.62	33.74	36.78
1230	28.58	33.67	36.67
1300	28.41	33.35	36.28
1330	28.21	27.06	29.88
1400	25.23	26.78	29.53
1430	25.21	26.70	29.45
1500	25.20	26.70	29.45
1530	25.21	26.72	29.48
1600	25.29	26.92	29.74
1630	27.04	33.56	36.51
1700	34.79	36.17	39.22
1730	34.72	36.00	38.99
1800	34.57	35.54	38.42
1830	27.07	26.65	29.38
1900	38.48	25.50	28.22
1930	38.51	24.88	27.59
2000	38.27	25.54	28.27
2030	29.64	34.97	37.70
2100	25.18	34.96	37.68
2130	25.16	34.91	37.63
2200	25.16	34.89	37.60
2230	24.67	23.42	26.15
2300	24.10	21.73	24.43
2330	21.61	20.64	23.35
2400	18.08	20.54	23.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.00/MWh becomes 1.800p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of this revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-408780 between 8.30am and 5.15pm Monday to Friday.
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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 4, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2303.80	1520.66	936.504	1437.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIS ‡	(Rouble)	0.8600o / 1764.96m	0.5676 / 1164.99	0.3495 / 717.483	0.5386 / 1101.38
Comoros	(CFA Fr)	429.12	283.248	174.439	267.782
Congo (Brazz)	(CFA Fr)	429.12	283.248	174.439	267.782
Costa Rica	(Colon)	219.2606	144.726	89.1303	136.824
Côte d'Ivoire	(CFA Fr)	429.12	283.248	174.439	267.782
Croatia	(Dinar)	10878.91	7180.6	4422.32	6788.71
Cuba	(Cuban Peso)	1.1391	0.7518	0.463	0.7108
Cyprus	(Cyprus £)	0.7489	0.4943	0.3044	0.4673
Czech Rep.	(Koruna)	43.557	28.7504	17.706	27.1808
Denmark	(Danish Krone)	9.9600	6.5742	4.0487	6.2152
Djibouti Rep	(Djib Fr)	266.25	175.743	108.232	166.147
Dominica	(E Carib $)	4.0608	2.6803	1.6507	2.534
Dominican Rep	(D Peso)	19.5520	12.9056	7.9479	12.2009
Ecuador	(Sucre)	2746.30o / 2929.04a	1812.74 / 1933.38	1116.38 / 1190.67	1713.78 / 1827.79
Egypt	(Egyptian £)	5.0320	3.3214	2.0455	3.14
El Salvador	(Colon)	13.0848	8.6368	5.319	8.1652
Equat'l Guinea	(CFA Fr)	429.12	283.248	174.439	267.782
Estonia	(Kroon)	19.584	12.9267	7.9609	12.2209
Ethiopia	(Ethiopian Birr)	7.4132	4.8932	3.0134	4.626
Falkland Is	(Falk £)	1.00	0.66	0.4065	0.624
Faroe Is	(Danish Kroner)	9.9600	6.5742	4.0487	6.2152
Fiji Is	(Fiji $)	2.3390	1.5438	0.9508	1.4595
Finland	(Markka)	8.8192	5.8212	3.585	5.5034
France	(Fr)	8.5825	5.665	3.4888	5.3556
Fr. Cty/Africa	(CFA Fr)	429.12	283.248	174.439	267.782
Fr. Guiana	(Local Fr)	8.5825	5.665	3.4888	5.3556
Fr. Pacific Is	(CFP Fr)	154.25	101.815	62.7032	96.2558
Gabon	(CFA Fr)	429.12	283.248	174.439	267.782
Gambia	(Dalasi)	14.1376	9.3317	5.7469	8.8222
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lithuania	(Litas)	6.4070	4.229	2.6044	3.9981
Luxembourg	(Lux Fr)	53.25	35.1485	21.6463	33.2293
Macao	(Pataca)	12.0212	7.9347	4.8866	7.5015
Madagascar	(MG Fr)	2763.60	1824.18	1123.41	1724.56
Madeira	(Port Escudo)	253.40	167.261	103.008	158.128
Malawi	(Kwacha)	6.5953	4.3533	2.681	4.1158
Malaysia	(Ringgit)	3.8657	2.5516	1.5714	2.4122
Maldive Is	(Rufiya)	18.0104	11.888	7.3213	11.2389
Mali Rep	(CFA Fr)	429.12	283.248	174.439	267.782
Malta	(Maltese Lira)	0.5716	0.3772	0.2323	0.3566
Martinique	(Local Fr)	8.5825	5.665	3.4888	5.3556
Mauritania	(Ouguiya)	171.1702	112.984	69.5813	106.814
Mauritius	(Maur Rupee)	26.7307	17.644	10.8661	16.6806
Mexico	(Mexican Peso)	4.7300	3.1221	1.9227	2.9516
Miquelon	(Local Fr)	8.5825	5.665	3.4888	5.3556
Monaco	(French Fr)	8.5825	5.665	3.4888	5.3556
Mongolia	(Tugrik)	601.60	397.096	244.553	375.413
Montserrat	(E Carr $)	4.0608	2.6803	1.6507	2.534
Morocco	(Dirham)	13.7023	9.0444	5.57	8.5505
Mozambique	(Metical)	6688.81	4414.92	2718.95	4173.86
Namibia	(S A Rand)	5.22575	3.4493	2.1242	3.2609
Nauru Is	(Australian $)	2.3460	1.5485	0.9536	1.4639
Nepal	(Nepalese Rupee)	69.8306	46.0928	28.3864	43.576
Netherlands	(Guilder)	2.7625	1.8234	1.1229	1.7238
N'nd Antilles	(A/Guilder)	2.6922	1.777	1.0943	1.68
New Zealand	(NZ $)	2.7572	1.8199	1.1208	1.7205
Nicaragua	(Gold Cordoba)	9.3469	6.1696	3.7995	5.8326
Niger Rep	(CFA Fr)	429.12	283.248	174.439	267.782
Nigeria	(Naira)	45.1290	29.7821	18.3414	28.156
Norway	(Nor. Krone)	10.7600	7.1023	4.3739	6.7145
Oman	(Rial Omani)	0.5790	0.3821	0.2353	0.3613
Pakistan	(Pak. Rupee)	44.8494	29.6035	18.2314	27.9871
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(Krona)	12.2275	8.0709	4.9705	7.6302
Switzerland	(Fr)	2.1475	1.4174	0.8729	1.34
Syria	(£)	32.3360	21.3438	13.1447	20.1784
Taiwan	($)	40.775	26.9141	16.5752	25.4446
Tanzania	(Shilling)	675.30	445.743	274.512	421.404
Thailand	(Baht)	37.775	24.9339	15.3556	23.5726
Togo Rep	(CFA Fr)	429.12	283.248	174.439	267.782
Tonga Is	(Pa Anga)	2.3460	1.5485	0.9536	1.4639
Trinidad/Tobago	($)	8.3021	5.4799	3.3748	5.1807
Tunisia	(Dinar)	1.5335	1.0122	0.6233	0.9569
Turkey	(Lira)	18290.85	12073.2	7435.3	11413.9
Turks & Caicos	(US $)	1.5150	1	0.6158	0.9453
Tuvalu	(Australian $)	2.3460	1.5485	0.9536	1.4639
Uganda	(New Shilling)	1773.65	1170.73	720.996	1106.8
Ukraine	(Karbovanets)	25492.80	16826.9	10362.9	15908.1
U A E	(Dirham)	5.5735	3.6788	2.2656	3.478
United Kingdom	(£)	1.00	0.66	0.4065	0.624
United States	(US $)	1.5150	1	0.6158	0.9453
Uruguay	(Peso Uruguayo)	6.3168	4.1695	2.5678	3.9418
Vanuatu	(Vatu)	186.3907	123.03	75.7685	116.312
Vatican	(Lira)	2407.25	1588.94	978.557	1502.18
Venezuela	(Bolivar)	147.54	97.3881	59.9758	92.0666
Vietnam	(Dong)	16168.0	10671.9	6572.36	10089.2
Virgin Is-British	(US $)	1.5150	1	0.6158	0.9453
Virgin Is-US	(US $)	1.5150	1	0.6158	0.9453
Western Samoa	(Tala)	3.8672	2.5526	1.572	2.4132
Yemen (Rep of)	(Rial)	24.8180	16.3801	10.0878	15.4858
Yemen (Rep of)	(Dinar)	0.6932	0.4575	0.2817	0.4325
Yugoslavia‡	(New Dinar)	157.92	104.238	64.1951	98.546
Zaire Rep	(Zaire)	13238000.0	8751155	5389431	8273323
Zambia	(Kwacha)	531.25	350.66	215.955	331.513
Zimbabwe	($)	9.8749	6.518	4.0141	6.1621

Special Drawing Rights October 1, 1993 United Kingdom £0.942893 United States $1.40836 Germany D Mark 2.31196 Japan Yen149.698
European Currency Unit Rates October 4, 1993 United Kingdom £0.775953 United States $1.17363 Germany D Mark 1.91008 Japan Yen124.017

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. ‡Yugoslavia 1.10.93: New dinar redenominated.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday October 4, 1993

COMPANY NEWS: UK

£25m technical centre outside Tokyo will be catalyst for expansion

Johnson Matthey looks east

By Michiyo Nakamoto in Tokyo

IN THE green fields of Tochigi prefecture, 75 miles north of Tokyo, a traditional, Japanese-style ceremony will take place today to celebrate Johnson Matthey, the UK advanced materials and precious metals specialist, opening its first technical centre in Asia.

The £25m Kitsuregawa technical centre will be a vital part of its strategy of expanding in Japan and the rest of Asia.

Johnson Matthey now does about 90 per cent of its business in Europe and the US; it expects the Asian market to grow to close to a third.

The centre will support its operations in car exhaust catalysts, catalysts for fuel cells, and electronics.

The company hopes that its presence in Japan will help it to win a larger share of the market for the exhaust catalysts used in Japanese cars manufactured at their transplant factories in Europe.

Although it supplies more than a third of total world demand for vehicle catalysts, Johnson Matthey has less than 5 per cent of the Japanese market, where it faces stiff competition from, among others, Allied Signal of the US.

It is already supplying catalysts for engines made by Japanese car makers in the US and Europe.

But as engines become more complex, the catalysts are increasingly designed by engineers in Japan rather than locally, and the technology is then transferred to the transplants. So to compete in that market the company needed to have technical support in Japan.

Japanese standards for catalysts are stringent and the requirements in terms of testing, support and information supplied are the highest in the world, said Mr Alan Fullarton, project director of Johnson Matthey Japan.

"Primarily we need to have very close contacts with the engineers," he said, pointing out that the decision to set up a technical centre in Japan was welcomed by Japanese car makers.

One advantage for the company is that it does not face competition in car exhaust catalysts from Japanese companies, although Toyota does make about 50 per cent of its catalysts in-house.

This is hardly true in the electronics business, where there is fierce competition from large domestic companies specialising in precious metals, such as Nippon Mining and Mitsubishi Kasei.

But Johnson Matthey believes that its analytical skills and expertise in purifying will help it expand its market share.

It also has expertise in developing catalysts for fuel cells, and has built a pilot plant at Kitsuregawa to provide makers of fuel cells with samples which it expects to have to expand in future.

Japan is well ahead of other countries in the commercial development of fuel cells, and all the electric power stations in the world which use them are located in Japan, said Mr Fullarton.

Commercialisation of fuel cells in Japan could come in the next two or three years, and the company has invested substantially in scientists and evaluation laboratory facilities to prepare for future mass production.

NEWS IN BRIEF

ASSOCIATED FISHERIES: At separate court meetings, holders of AF ordinary and cumulative preference shares approved the scheme of arrangement to effect the recommended merger with Linton Park. The scheme remains subject to High Court approval at a hearing on October 20, but it is expected that dealings in new Linton Park ordinary will begin on October 25.

AUTOMATED SECURITY (Holdings): Elections for enhanced scrip dividend alternative received in respect of 99.6m shares, representing some 87.5 per cent of issued capital. The company will save approximately £900,000 in ACT.

BOC GROUP has acquired, through BOC Distribution Services, Kroeze, a Dutch concern, which specialises in temperature controlled distribution, with particular coverage to Germany, Belgium, Poland and France.

CADBURY SCHWEPPES: Acceptances for 1-for-9 rights issue have been received in respect 77.27m new ordinary (93.3 per cent). The balance has been sold in the market.

CAMBRIDGE ISOTOPE Laboratories: Sales rose 9 per cent to \$5.8m (£3.76m) for the six months ended May 31 with pre-tax profits down at \$453,000 (\$521,000). Earnings per share were 2.4p (2.8p).

CRAY ELECTRONICS has declared its recommended offer for P-E International unconditional. It owns or has received acceptances for 16.3m P-E shares, representing 74.4 per cent.

FERGUSON International Holdings, the labels, hangers, printing and publishing group, is paying up to \$11.5m (£7.5m) for Red Wing Products and the affiliated Commander Industries. The deal was effected through Ferguson Investments, the group's US holding company. Red Wing, based in Long Island, New York, is a maker and distributor of garment hangers and related products.

GREAT UNIVERSAL Stores: Lord Wolfson, chairman, told the annual meeting that overall pre-tax profits for first five months of current year were somewhat ahead of those for the same period last year. The resolutions to approve enfranchisement proposals, scrip issue and other matters were duly passed.

JURYS HOTEL Group has paid £9.8m for the Onslow Hotel in south Kensington, London. The hotel will be renamed Jurys Kensington Hotel. The acquisition will be funded through debt.

PEGASUS has sold subsidiary Stockforms, business forms concern, to Deluxe (UK) for £6.98m. Pre-tax profit to be taken on disposal expected to be £5.9m. Cash balances currently in excess of £9.3m.

PILLSBURY, the wholly owned Grand Metropolitan subsidiary, has formed a joint venture with the Table Top division of Foodcorp, Johannesburg, for the manufacture and sale of Pillsbury products in South Africa. The terms of agreement were not disclosed.

SHERRIFF HOLDINGS, the plant and tool hire group, has purchased Robson (Power Tools) for up to £110,000. Leeds-based Robson has seven depots in Yorkshire and the north-east. In the year ended March 31, Robson's turnover was £2.68m and operating losses £51,000.

UNICHEM, through subsidiary E Moss, has acquired Norman Brook and Son, which comprises two retail pharmacies in west Yorkshire, for up to £742,000.

USBORNE: Acceptances for 2-for-5 rights issue have been received in respect of 17.5m new ordinary (66.9 per cent) and balance has been taken up by sub-underwriters.

ALCATEL ALSTHOM

At a meeting chaired by Pierre SUARD, on September 29, 1993, the Board of Directors of Alcatel Alsthom reviewed consolidated sales and earnings for the first six months of 1993.

Stable Earnings for First Half 1993

The Board of Directors noted the success in Asia, particularly the contract for the combined cycle power plant in Black Point, Hong Kong, the volume of digital telephone lines ordered by China, as well as South Korea's choice of the TGV for the rail link between Seoul and Pusan, thus confirming the Group's leadership position in its core activities.

The Board then approved the Group's consolidated income statement for the first six months of 1993, which included the following:

Consolidated income statement

(FF million)	First half 1993	First half 1992	Full year 1992
Net Sales	73,628	79,477	161,677
Income from operations after financing	5,940	6,344	14,806
Net income	3,006	3,115	7,053

Sales during the first semester 1993 amounted to FF 73,628 million compared to FF 79,477 million at the end of June 1992. On a constant exchange rate basis, sales decreased by 3% from one period to the other. This evolution reflects the economic deterioration, during the past year, in several countries where the Group has a major presence, in particular Germany and Italy.

Income from operations after financing was FF 5,940 million against FF 6,344 million for the corresponding period in 1992 resulting from the decrease in sales. However, the operating margin for the first semester was 8.1% compared to 8.0% for the same period in 1992.

Net income amounted to FF 3,006 million and did not include any capital gains from the disposal of Alcatel Alsthom shares, as in the first semester 1992, wherein net income was FF 3,115 million after a capital gain of FF 437 million from the sale of shares.

For the full year 1993, based on today's trends, sales are expected to be 5% to 7% lower than the previous year while net income should be equivalent to the 1992 level.

RANDGOLD

Gold mining companies' reports for the quarter ended 30 September 1993

Blyvooruitzicht Gold Mining Company, Limited

Registration No. 05/08743/06

ISSUED CAPITAL: R6 000 000 IN 24 000 000 ORDINARY SHARES

OPERATING RESULTS	Quarter ended 30-9-1993	Quarter ended 30-6-1993
Underground operations		
Ore milled – t'000	242	305
Gold produced – kg	1 624	1 782
Yield – g/t	6.71	5.86
Revenue – R/kg	36 479	35 243
Cost – R/kg	35 893	33 408
Working profit – R/kg	586	1 835
Revenue – R/t milled	244.80	207.07
Cost – R/t milled	240.87	196.29
Working profit – R/t milled	3.93	10.78
Surface operations		
Tonnage treated – t'000	267	290
Gold produced – kg	101	92
Yield – g/t	0.38	0.32
Revenue – R/kg	36 479	35 243
Cost – R/kg	28 002	31 814
Working profit – R/kg	8 477	3 429
Revenue – R/t treated	13.80	11.22
Cost – R/t treated	10.59	10.13
Working profit – R/t treated	3.21	1.09
FINANCIAL RESULTS (R000's)		
Revenue	62 928	66 398
Cost	61 118	62 794
Working profit	1 808	3 604
Sundry revenue – net	1 196	2 159
Profit before taxation and State's share of profit	3 003	5 763
Taxation and State's share of profit	487	182
Profit after taxation and State's share of profit	2 516	5 581
Capital expenditure – net	3 745	5 253

OPERATIONS

The decline in underground tonnage is as a result of the continued depletion of payable ore reserves, which has been partially offset by the mining of high yield areas

HEDGING

At the date of this report, the company had the following hedging contracts

12 months ending 30 June 1993	Kilograms sold	Average price per kilogram
1994	3 458	R37 788
1995	1 524	R41 929
1996	93	R43 456

On 82% of the above contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3 42 was used to convert these contracts to Rand.

CAPITAL EXPENDITURE

Capital expenditure includes R1.1 million (previous quarter R3 million) for the company's contribution for development related to the Western Deep Levels tribute

There are commitments for capital expenditure amounting to R3.3 million.

For and on behalf of the board.
J. P. S. TURNER, Chairman
E. B. CROCKER, Managing Director

4 October 1993

Durban Roodepoort Deep, Limited

Registration No. 01/00926/06

ISSUED CAPITAL: R2 325 000 IN 2 325 000 SHARES

OPERATING RESULTS	Quarter ended 30-9-1993	Quarter ended 30-6-1993
Underground operations		
Ore milled – t'000	257	267
Gold produced – kg	954	1 080
Yield – g/t	3.71	4.04
Revenue – R/kg	35 911	34 835
Cost – R/kg	44 728	39 886
Working loss – R/kg	8 817	5 051
Revenue – R/t milled	133.30	140 10
Cost – R/t milled	166.03	160.53
Working loss – R/t milled	32.73	20.43
Sand treatment		
Sand treated – t'000	321	315
Gold produced – kg	207	188
Yield – g/t	0.64	0.63
Revenue – R/kg	35 911	34 835
Cost – R/kg	19 834	21 526
Working profit – R/kg	16 077	13 109
Revenue – R/t treated	23.16	21.77
Cost – R/t treated	12.79	13.53
Working profit – R/t treated	10.37	8.24
FINANCIAL RESULTS (R000's)		
Revenue	41 693	44 264
Cost	46 776	47 123
Working loss	(5 083)	(2 858)
Sundry revenue – net	552	1 060
Loss before taxation and State's share of profit	(4 531)	(1 798)
Taxation and State's share of profit	549	386
Loss after taxation and State's share of profit	(3 982)	(2 185)
Capital expenditure – net	856	677

OPERATIONS

The decline in underground kilograms produced was caused by continuing low productivity and the impact of the previous quarter's relocation of mining operations to address the declining yield. Reduced mining flexibility as a result of limiting capital expenditure for development in 1992 continues to have the potential to affect production. The fluctuation in yield over the last nine quarters of between 4 13 g/t and 3.71 g/t is consistent with the nature of the ore body.

After the end of the quarter, violence between employees caused a regrettable loss of life and the loss of three days production.

Unless productivity and production return to planned levels, serious consideration will be given to the closure of the underground operations during the current quarter

HEDGING

At the date of this report, the company had the following hedging contracts

12 months ending 31 December	Kilograms sold	Average price per kilogram
1993	1 288	R37 576
1994	1 717	R37 561

On 88% of the above contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3 42 was used to convert those contracts to Rand.

PUMPING ASSISTANCE

Assistance totalling R2.1 million (previous quarter R2.1 million) for the pumping of extraneous water was claimed from the State during the quarter. Working costs are reflected net of this assistance.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R8 000 (previous quarter R180 000)

For and on behalf of the board,
J P S TURNER, Chairman
P. VOS, Managing Director

4 October 1993

East Rand Proprietary Mines, Limited

Registration No 01/00773/06

ISSUED CAPITAL: R183 303 163 IN 16 832 000 ORDINARY SHARES
R70 000 000 IN 350 000 "B" CLASS VARIABLE RATE CUMULATIVE REDEEMABLE PREFERENCE SHARES

OPERATING RESULTS	Quarter ended 30-9-1993	Quarter ended 30-6-1993
Underground operations		
Ore milled – t'000	285	283
Gold produced – kg	1 689	1 462
Yield – g/t	5.93	5.17
Revenue – R/kg	36 762	35 579
Cost – R/kg	38 921	41 760
Working loss – R/kg	2 159	6 181
Revenue – R/t milled	217.86	183.80
Cost – R/t milled	230.66	215.74
Working loss – R/t milled	12.80	31.94
Sand treatment		
Sand treated – t'000	517	456
Gold produced – kg	472	355
Yield – g/t	0.91	0.78
Revenue – R/kg	36 762	35 579
Cost – R/kg	17 214	21 698
Working profit – R/kg	19 548	13 881
Revenue – R/t treated	33.56	27.58
Cost – R/t treated	15.72	16.82
Working profit – R/t treated	17.84	10.76
FINANCIAL RESULTS (R000's)		
Revenue	79 442	64 647
Cost	73 864	68 756
Working profit (loss)	5 578	(4 109)
Sundry revenue – net	1 660	1 720
Interest: paid and deferred	(16 627)	(16 042)
Loss before taxation and State's share of profit	(9 389)	(18 431)
Taxation and State's share of profit	–	–
Loss after taxation and State's share of profit	(9 389)	(18 431)
Capital expenditure – net	10 038	8 425
Borrowings at end of quarter: Gross loan facilities	523 259	519 654
Borrowings	344 831	342 458
Deferred interest	152 365	151 492
	497 196	493 950
Proceeds from sale of assets held in trust	18 885	29 092

OPERATIONS

The increase in underground yield has resulted from an increase in yields in K shaft, the Far East Vertical above 68 level and a higher proportion of tonnage from below 68 level. From the October month, 30 day mining has been introduced.

Negotiations on the finance plan are continuing in order to address the funding problem that will arise in December 1993

HEDGING

At the date of this report, the company had the following hedging contracts:

12 months ending 31 December	Kilograms sold	Average price per kilogram
1993	1 151	R37 033
1994	124	R37 584

On 88% of the above contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3.42 was used to convert these contracts to Rand

PUMPING ASSISTANCE

Assistance totalling R2.5 million (previous quarter R2 5 million) for the pumping of extraneous water was claimed from the State during the quarter Working costs have been reflected net of this assistance.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R12 4 million (previous quarter R17 8 million). The estimated total capital expenditure for the remainder of the current financial year is R9.5 million

For and on behalf of the board.
J P S. TURNER, Chairman
G. J. S. Laing, Managing Director

4 October, 1993

Harmony Gold Mining Company Limited

Registration No 05/38232/06

ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES

OPERATING RESULTS	Quarter ended 30-9-1993	Quarter ended 30-6-1993
Underground operations		
Ore milled – t'000	1 622	1 502
Gold produced – kg	5 395	5 181
Yield – g/t	3.33	3 45
Revenue – R/kg	37 192	34 198
Cost – R/kg	35 130	34 895
Working profit (loss) – R/kg	2 063	(697)
Revenue – R/t milled	123.71	117 96
Cost – R/t milled	116.85	120.37
Working profit (loss) – R/t milled	6.86	(2.41)
Surface operations		
Tonnage treated – t'000	100	114
Gold produced – kg	145	167
Yield – g/t	1.45	1.46
Revenue – R/kg	37 192	34 198
Cost – R/kg	14 324	15 562
Working profit – R/kg	22 868	18 636
Revenue – R/t treated	53.93	50 10
Cost – R/t treated	20.77	22.80
Working profit – R/t treated	33.16	27 30
FINANCIAL RESULTS (R000's)		
Revenue	206 046	182 890
Cost	191 602	183 390
Working profit (loss)	14 444	(500)
Sundry revenue – net	3 638	2 064
Profit before taxation and State's share of profit	18 082	1 564
Taxation and State's share of profit	1 146	303
Profit after taxation and State's share of profit	16 936	1 261
Capital expenditure – net	444	1 986

HEDGING

At the date of this report, the company had the following hedging contracts.

12 months ending 30 June 1993	Kilograms sold	Average price per kilogram
1994	12 473	R37 587
1995	7 776	R43 841

On 8% of the above contracts only the US dollar prices have been secured A Rand/US dollar conversion rate of 3 42 was used to convert these contracts to Rand

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R0 3 million (previous quarter R0 4 million)

Capital expenditure is reflected net of the proceeds from sale of assets which amounted to R1.1 million (previous quarter R0.5 million)

For and on behalf of the board.
J P. S. TURNER, Chairman
E. B. CROCKER, Managing Director

4 October 1993

NOTES

DIVIDENDS

No dividend has been declared for the three months ended 30 September 1993.

CAPITAL EXPENDITURE

Future capital expenditure is being restricted to those projects considered vital to the continuance of operations.

GOLD HEDGING

The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold

GENERAL

- All the companies mentioned are incorporated in the Republic of South Africa.
- Issued capital values include share premium.
- All financial figures are unaudited.
- Copies of the above quarterly reports may be obtained on application to the transfer secretaries.

United Kingdom secretaries
Viaduct Corporate Services Limited
18 Charterhouse Street
London EC1N 6QP

United Kingdom registrars and paying agents
Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Bearer reception office
Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street
London EC3P 3HP

KLEINWORT BENSON JAPANESE WARRANT FUND. SICAV
Registered office: 14, rue Aldringen, Luxembourg
Commercial register: Luxembourg Section B No 37305
NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of KLEINWORT BENSON JAPANESE WARRANT FUND, SICAV, will be held at its registered office at Luxembourg, 14, rue Aldringen on 13th October, 1993 at 11.00 a.m. for the purpose of considering and voting upon the following agenda:

1. To consider
   a) the Management Report of the Directors:
   b) the Report of the Auditor.
2. To consider the statement of net assets and the statement of changes in net assets for the period ended 30th June 1993.
3. To discharge the Directors and the Auditor with respect to the performance of their duties during the year ended 30th June 1993.
4. To elect the Directors and the Auditor to serve until the next annual general meeting of shareholders.
5. Any other business that might probably come before the meeting.

The shareholders are advised that no quorum for the statutory general meeting is required and that decision will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

WAKACHIKU CONSTRUCTION CO., LTD
US \$ 30,000,000 GUARANTEED FLOATING RATE NOTES DUE 1997

Unconditionally guaranteed as to payment of principal and interest by THE SUMITOMO TRUST AND BANKING COMPANY, LIMITED

In accordance with the provisions of the Notes, notice is hereby given as follows:

- Interest period: October 4, 1993 to April 5, 1994 (183 days)
- Interest rate: 3.675% p.a.
- Coupon amount payable per each Note of US\$500,000: US\$ 9,340.63

Agent Bank
BANQUE INTERNATIONALE A LUXEMBOURG

ASM - BRESCIA
azienda servizi municipalizzati - brescia

CALL FOR BIDS FOR A WTE PLANT SUPPLY (ABSTRACT)

The Azienda Servizi Municipalizzati - A.S.M. (Municipal Services Utility) - Via Lamarmora No. 230 - 25124 Brescia - Italy intends to call for a competitive bidding for a full turnkey supply of a waste to energy plant with an electric power output higher than 25 MWel, through combustion of urban solid and compatible waste.

The plant shall consist of two lines, each one of a capacity of 23 t/h waste.

The call for bids shall be carried out according to limited procedure as per EEC guidelines 90/531.

The applications for admission shall reach A.S.M. within 50 days from the call for bids publication date in the EC Official Gazette.

Companies or temporary joint-ventures interested in the participation, and from which specific experiences in a similar supply are required, are asked to present the proper documentation suitable to prove the non-existence of exclusion causes as per art. 11 of Law Decree No. 358/92, as well as documentation as per fully described call for bids sent to EEC publication Office on September 10th 1993, which can also be requested directly from A.S.M. (fax +39.30.3500.204).

The admission applications for bidding are not A.S.M. binding.

COMMODITIES AND AGRICULTURE

Options surge gives LCE boost

By Alison Maitland

THE LONDON Commodity Exchange experienced a 63 per cent jump in trading volumes last month compared with a year ago, driven by record turnover in cocoa futures and options and in coffee options.

The LCE said a total of 431,714 futures and options contracts were traded, a rise of 27 per cent on August. Volume in the year to date is up nearly 25 per cent on the same period of 1992.

The exchange, which has been streamlining its operations to concentrate on core contracts, said the number of futures contracts traded in cocoa, its most popular commodity, had risen by 96 per cent to 249,195.

Cocoa options had soared by 557 per cent to 19,532 contracts and coffee options were up 76 per cent at 27,014.

Total open interest in September – the number of contracts which had not been liquidated – was 65 per cent higher than a year ago and 13 per cent up on August.

The LCE also announced that 1,655 lots were traded on the first day of the premium raw sugar futures contract launched last Friday. "The support from LCE members and the international sugar trade has been very good indeed," said Mr Robin Woodhead, chief executive. Interest was more subdued yesterday with 700 lots traded by late afternoon.

The exchange's other contracts are in white sugar, potatoes, international freight, wheat and barley.

US bank cleared to trade commodities

By Laurie Morse in Chicago

THE US Federal Reserve Board has granted a subsidiary of the Bank of Montreal powers to deal in commodity derivatives, a decision that is expected to apply other US bank holding companies. The Fed ruling will extend competition between banks and broker-dealers, already fierce in financial products, to non-financial futures and options.

Prior to the decision, banks were allowed to trade financial instruments on US futures and options exchanges, but were barred from clearing or servicing customer needs in exchange-traded energy or agricultural derivatives.

In its ruling the Fed said Chicago-based Harris Futures Corporation could execute trades and clear non-financial transactions at the US's three largest futures exchanges. However, Harris will not be allowed to trade commodity futures and options for its own account, trade the physical commodities, or offer commodities investment advice.

In seeking the Fed's approval, Harris Futures said it expected 10 per cent of its commodity futures and options business to come from large managed futures funds. Funds have become increasingly interested in commodities as a means of diversifying financial portfolios.

The Fed's finding that commodity derivatives dealing "is closely related to banking", was greeted enthusiastically by Chicago's futures exchanges, where member banks have been restricted from clearing trades in agricultural futures and options.

"This action is good for the banks, for the customers, and for the Chicago Mercantile Exchange," said CME chairman Mr Jack Sandner.

Indonesian oil output in decline

By William Keeling in Jakarta

OIL COMPANIES are scaling back operations in Indonesia and completed only half their budgeted exploration-well programme last year, according to a report by the US embassy in Jakarta.

Oil and condensate production fell 5 per cent in 1992 to an average 1.5m barrels a day. Industry analysts expect production to be held at this level until 1995 before declining towards 1m b/d by the end of the decade.

Net crude and condensate exports fell 17.6 per cent last year to 700,000 b/d, the result of an 8 per cent increase in domestic consumption. Indonesia is expected to be a net oil importer by the end of the century.

The report says geologists are "guardedly optimistic at the prospects of finding new oil reserves. . . in remoter areas" of eastern Indonesia but notes that only eight of last year's 124 exploration wells were in that region.

Industry executives say incentives to explore frontier areas are inadequate and cite high exploration costs at over $20m a well. Government officials say improved incentives, allowing companies to maintain a greater share of production, will be announced by the end of the year.

In contrast, Indonesia's gas sector has continued to perform well. The US embassy report forecasts liquefied natural gas exports to rise about eight per cent to 25m tonnes this year, worth over $4bn.

A sixth production unit with a capacity of 1.4m tonnes a year is being commissioned at the Bontang processing plant in Kalimantan and a seventh unit, worth $750m, has been ordered. This follows a string of exploration successes by Total of France in its Mahakam River basin block in East Kalimantan.

Mexico divorces farm subsidies from output

By Damian Fraser in Mexico City

PRESIDENT CARLOS Salinas of Mexico yesterday unveiled a radical reform of his country's agricultural sector, announcing that price supports for basic grains such as maize would be replaced by cash payments to farmers according to the amount of land they owned.

The programme breaks the link between subsidies and production, as farmers will receive the same payment for land whatever and however much he produces. Under the new scheme there is bias in favour of maize production and well-off farmers who sell a lot of maize will not receive the bulk of government aid.

"Mexico is moving to the most efficient agricultural support system in the world," says Mr Luis Tellez, the MIT economist turned agriculture under-minister. "We will be the only developing country where people look at a vector of international prices when making their production decisions."

The new system commits Mexico to opening the way to maize imports in two years - which it had promised to do in 15 years under the proposed North American Free Agreement. The price liberalisation will enable the government to direct subsidies to the most needy farmers but will increase agricultural imports and very probably accelerate migration from the country's rural sector to cities and to the US.

Government officials say the reform will go ahead even if Nafta is not approved by the US congress. Under Nafta, the US and Canada would be the main beneficiaries of increased grain exports to Mexico, while without the treaty the rest of the world could export to Mexico on equal terms, they note.

At present the Mexican government pays farmers about 750 new pesos ($242) for a tonne of maize, the national crop, and transport and marketing costs (worth another 160 pesos), compared with an international price plus delivery of about 450 pesos a tonne. (Consumers pay an average of about 450 pesos a tonne, although those in Mexico City pay 350 pesos, and those in the countryside up to 750 pesos).

The land subsidy will be given to farmers who were producing subsidised grains, although once the scheme starts they can produce whatever they want. The subsidy will be given for ten years and then phased out over the next five years.

The price support system is being scrapped, in part because it over-stimulated maize production and so held back other crops. The value of maize output increased from 408m pesos in 1989 to 1.635bn pesos in 1992, while the rest of the agricultural sector stagnated. This both increased the financial burden of maize price support and threatened to turn Mexico into a one crop country.

The government further contends that farmers over-exploited marginal land for maize production, since the return from selling the crop was artificially high. For example, farmers might deforest land and plant maize at a maize price of 750 pesos, but not at 450 pesos.

The old scheme did little to help Mexico's poorest farmers, who do not sell maize but consume it themselves. For this reason one of the plan's strongest supporters is Dr Arturo Warman, the government's agrarian attorney and a left-leaning anthropologist.

According to government figures, the average farmer in the northern state of Sinaloa produces six tonnes of maize a hectare, giving a subsidy of about 2,760 pesos a hectare. The average farmer in the southern state of Oaxaca produces about two tonnes a hectare, most of which he consumes, so that he hardly benefits at all from the price subsidy.

It is reported that the direct support will give all of Mexico's 2.5m maize farmers a minimum of 400 pesos or so for each hectare of land they own, with farmers on the most productive lands obtaining a little more than double. The government is planning to increase the total financial subsidy for agriculture from 6.4bn pesos this year to some 11bn pesos next year.

Observers point out that farmers will receive their cash payments a few months before next year's presidential election, and describe the programme as a vote-buying scheme. The government contends that large numbers of rich, politically important farmers will lose out from the programme.

While the political impact of the reform is hard to predict, there will certainly be a switch from grain to non-grain production, such as fruits, vegetables or tobacco. Officials hope that farmers will be able to borrow against future land payments to make necessary investment in converting to higher value crops.

But in many cases farmers will not be able to sell maize or any other crops profitably at internationally prices. Some recent studies by academic economists suggest that as many as 700,000 farmers could be forced out of work by full liberalisation of maize prices.

While offering direct subsidies will soften the blow of price liberalisation, one official says: "In the end we will have fewer people working in agriculture as a proportion of total employment. You cannot expect to improve the standard of living in the countryside when you have 22 per cent of the economically active nation producing just 8 per cent of GDP".

China sees free market solution to gold problems

Tony Walker reports on plans to end the 44-year old state purchasing monopoly

CHINA HAS foreshadowed the establishment of an international gold market to facilitate trade in the precious metal and enliven flagging local production. This important step would end a 44-year old state monopoly on gold purchases.

Mr Cui Dewen, Vice-President of the gold administration under the Ministry of Metallurgical Industry, said last week that the end of the People's Bank's monopoly on gold purchases was overdue and the best way to curb a raging black market.

"A standardised gold market is a must to bring the gold industry under market management," he told the English Language China Daily. He gave no hint, however, on when such a step might be taken.

Mr Cui's remarks follow the government's move last month nearly to double the state purchase price from Yn51.2 to Yn96 a gramme (US$520 a troy ounce at the official rate, but $346 at the open market rate) to reflect the metal's value in the international market.

The China Daily article said Mr Cui indicated that the establishment of an official gold market would be accompanied by a crackdown on flourishing black markets in the big gold producing provinces. State gold purchases fell by more than 50 per cent in the first six months of this year compared with the same period last year as miners either withheld product or sold on the black market.

China is also taking steps to open its gold-mining sector to foreign involvement. It has been circulating a draft law that would end an effective ban on foreign participation in the gold sector, but miners are being told that they will be restricted to marginal areas.

The China Daily quoted Mr Ai Dacheng, a senior official of the gold administration, as saying that a list of mines open to foreign involvement would be announced next month. He noted that big gold producers from the US, Canada, Australia and South Africa had shown interest in exploring China's resources. But among barriers to their participation was the country's state gold purchase monopoly.

Foreign mining executives had made it clear to China that the freeing of the local gold market was one of the first requirement for international involvement, Mr Ai said. The representatives were also pressing for "realistic" royalties on gold produced.

In draft legislation presented at a recent conference in Beijing, China proposed a royalty of 10 per cent, but representatives of companies like Newmont Mining of the US, CRA of Australia and Cominco of Canada indicated that this was unacceptably high compared with rates of 2 to 3 per cent in many developing countries.

China has some 600 gold mines, but many are tiny and employ primitive methods. At least one third are estimated to have been losing money because of the low state purchase price, and spiralling productions costs.

Mr Cui said that the new local price for gold would track that on the London market with a slight discount. He indicated that it might take some time for an international market to develop locally. But he was adamant that it would be part of an important reform of China's financial markets. "The gold market, like that in many other countries will play a key role in China's financial market," he said, adding that further reforms of China's foreign exchange system were required.

China's official gold production last year reached about 110 tonnes, compared with demand of 250 tonnes.

Since restrictions were eased on domestic gold sales in the past year or so, the Chinese have emerged as the world's leading purchasers of gold jewellery. Driving demand for gold in China is the desire of many people to hedge against inflation, which reached 17 per cent in urban centres in the first six months of this year.

In its present five year plan (1991-95) China planned to spend U$1.3bn on exploration and development of its gold deposits. Estimates of in-ground gold reserves stand at about 3,000 tonnes.

China's People's Bank, or central bank, is reported to have been a seller of gold recently, and this is one of the reasons advanced for the dip in the gold price internationally. The bank last year purchased a substantial portion of the 400 tonnes of gold sold by the Netherlands central bank. China has not published its gold reserves statistics since 1981.

CHINA IS considering opening its non-ferrous metals mines to foreign investment and broadening its own investments in copper mines overseas, according to the China Daily, reports Reuter from Beijing.

The official newspaper quoted Mr Liu Wanling, an official at China National Non-ferrous Metals Industry Corporation, as saying that his country was keen to raise its production of restricted metals like aluminium and copper and would seek overseas capital to enable it do so.

China has eased shortages of most non-ferrous metals with the exception of copper and wants to mobilise foreign investment to exploit overseas copper mines, Mr Liu said. Officials have inspected mines in Australia, South America, Africa and Russia.

"We hope to raise foreign funds to construct copper mines in foreign countries," Mr Liu said, although he acknowledged that that would not be easy as the world's best mines were already occupied.

China's broader reach overseas would coincide with the opening of its non-ferrous mines to foreign capital, especially for zinc, lead and other metals abundant on the mainland, he said.

China had begun negotiations on proposed joint ventures in the non-ferrous metals industry that would be far larger than the 220 existing joint ventures, Mr Liu said.

China's long-term hope is to raise per capita consumption levels closer to world standards, thereby boosting production.

For example, the Chinese consume less than 1kg of aluminium per head a year, far below the 20kg to 30kg in industrialised countries.

Tropical timber pact talks resume

By Frances Williams in Geneva

TROPICAL TIMBER producing and consuming countries yesterday began a third round of talks to try to agree a new international tropical timber accord, amid continuing divisions over its scope and financing. The present pact, adopted in 1983, expires at the end of March next year.

Informal talks since the second round of negotiations broke up in June have failed to resolve the differences between the two sides. Delegates were meeting last night to decide whether to extend the negotiations, held under the auspices of the United Nations Conference on Trade and Development, from one week to two.

Producing and consuming countries remain split over producer demands that temperate timber should be included in the new accord. Producers are also insisting on additional financial help to meet the proposed stipulation that by the year 2000 all tropical timber exports should come from sustainably managed forests. This target was set two years ago by the International Tropical Timber Organisation which runs the 1983 pact.

Tropical timber producers, who have already lost international market share to temperate woods because of environmental concerns, argue that exporters of temperate timber should be subjected to the same conservation disciplines through inclusion in the treaty.

The present accord has 50 producer and consumer members accounting for between 80 and 90 per cent of the $7.5bn annual world tropical timber trade.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA futures peaked at a new 40-month second position high of £983 a tonne before slipping all the way back to close at £967 a tonne in the near March position, £2 below Friday's level. Dealers said there was no fresh news, people were just becoming more wary as the market approached the psychologically significant £1,000. "I think people believe it's gone too far too fast," one trader commented. The **COFFEE** market spent the day trying to build a base following its recent correction and the January contract closed at $1,173 a tonne, up $1, after trading between $1,165 and $1,177. At the London Metal Exchange **COPPER** prices edged off their lows, but still remained easier. News that Kennecott workers at Bingham Canyon had reached a tentative agreement removed a potential prop from the market as the three months position fell $10 to $1,690 a tonne. **NICKEL** trading slackened in the afternoon, with the market paying less attention to the events in Moscow which had prompted early firmness. The three months price closed at $4,170 a tonne, up $57.50 on balance.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$14.85-4.95z	-0.175
Brent Blend (dated)	$16.85-6.90	-0.255
Brent Blend (Nov)	$17.10-7.15	-0.225
W.T.I (1 pm est)	$18.43-8.46z	-0.255
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$186-188	
Gas Oil	$175-176	-2
Heavy Fuel Oil	$60-62	-1
Naphtha	$155-157	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$352.75	-2.45
Silver (per troy oz)♣	404.5c	-2.00
Platinum (per troy oz)	$358.75	-4.35
Palladium (per troy oz)	$125.60	+0.45
Copper (US Producer)	88.0c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.01m	-0.14
Tin (New York)	203.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	117.78p	-2.75*
Sheep (live weight)†♣	80.79p	+0.08*
Pigs (live weight)†	66.44p	-0.20*
London daily sugar (raw)	$268.2	+8.3
London daily sugar (white)	$290.0	+3.0
Tate and Lyle export price	£290.0	+5.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£168.5u	
Rubber (Nov)♥	58.25p	+0.25
Rubber (Dec)♥	59.50p	+0.25
Rubber (KL RSS No 1 Jul)	196.5m	
Coconut oil (Philippines)§	$412.5v	-5.0
Palm Oil (Malaysian)§	$330.0z	
Copra (Philippines)§	$275.0	
Soyabeans (US)	£190.0u	-4.0
Cotton "A" index	55.05c	-0.35
Wooltops (64s Super)	323p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Nov/Dec u-Oct t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Nov	17.13	17.30	17.44	17.02
Dec	17.34	17.46	17.62	17.23
Jan	17.45	17.58	17.70	17.38
Feb	17.53	17.69	17.79	17.50
Mar	17.62	17.72	17.86	17.58
Apr	17.68	17.80	17.93	17.66
May	17.77	17.87	17.77	17.75
Jul	17.92	17.87	18.08	17.92
IPE Index	17.32	17.38	17.32	

Turnover 31168 (36382)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Oct	172.00	174.25	175.75	171.50
Nov	172.50	174.50	176.75	172.25
Dec	173.00	175.25	176.50	173.00
Jan	173.50	175.75	176.25	173.50
Feb	172.50	174.50	174.50	172.50
Mar	171.00	173.00	172.50	171.00
Apr	168.75	170.50	170.50	168.50
Jun	166.25	166.50	169.00	166.00

Turnover 14770 (18096) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	279.80	282.40	283.00	278.90
Mar	282.80	284.70	284.30	281.00
May	284.50	286.40	284.70	282.80
Aug	288.00	289.00	288.00	287.70
Oct	281.40	282.80	281.50	281.20

Turnover 1001 (3328) Paris- White (FFr per tonne): Dec 1586.25 Mar 1626.61

TEA

Landed demand was very strong throughout, reports the Tea Broker's Association. North Indian teas met keen competition with coloury mediums often 4 to 8p dearer and selected quality types again a good feature. East Africans were very well supported with brighter liquoring sorts 10 to 15p higher, sometimes more, mediums 5 to 10p up. Ceylons sold readily, advancing 10 to 15p. Offshore continuing strong enquiry with prices 5 to 15p up. Quotations quality 200p/kg, good medium 135p/kg, medium 125p/kg, low medium 100p/kg. The highest price realised this week was 256p/kg for an assam pd.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	11.02	11.03	11.05	10.93
May	11.11	11.13	11.10	11.04
Jul	11.28	11.23	11.27	11.15
Oct	11.22	11.16	11.18	11.15

Turnover 928 (1655) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Dec	948	937	965	945
Mar	967	969	983	965
May	969	966	983	968
Jul	969	961	979	976
Sep	971	961	980	970
Dec	970	960	976	970
Mar	971	960	978	970
May	974	964	982	970
Jul	976	957	985	980
Sep	980		983	980

Turnover: 16352 (15655) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 1 932.67 (937.47) 10 day average for Oct 4 916.58 (915.32)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Nov	1162	1160	1170	1150
Jan	1173	1172	1177	1165
Mar	1171	1174	1176	1168
May	1171	1171	1179	1168

Turnover: 2966 (6214) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 1 Comp. daily 68.86 (67.75) 15 day average 71.50 (71.96)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low	
Apr	90.2	91.0	90.9	89.5
May	103.8	105.5	105.0	

Turnover 48 (156) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low
Apr	1468	1465	1468
BFI	1410	1416	1410

Turnover 1 (46)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	100.00	101.50	101.25	99.95
Jan	101.10	102.60	102.25	101.20
Mar	103.10	104.50	104.25	103.10
May	105.10	106.55	106.25	105.10
Barley	**Close**	**Previous**	**High/Low**	
Nov	102.15	102.40	102.05	
Jan	104.40	104.65	104.65	104.35
Mar	106.25	106.40	106.25	

Turnover: Wheat250 (273) Barley 17 (92)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 41,106 lots
Cash	1093-4	1097.5-8.5		1095.5-6.5		
3 months	1114-5	1117.5-8	1122/1112	1116.5-7.0	1115.5-6	238,612 lots
Copper, Grade A ($ per tonne)						Total daily turnover 80,277 lots
Cash	1168.5-9.5	1679-80	1663	1163-4		
3 months	1690-1	1698-9.5	1699/1679	1684-5	1690-1	168,145 lots
Lead ($ per tonne)						Total daily turnover 7,202 lots
Cash	364-4.5	361-2	363.5/363	362.5-3.5		
3 months	378-8.5	375-6	380/378	378-8.5	377.5-8.0	21,473 lots
Nickel ($ per tonne)						Total daily turnover 11,015lots
Cash	4115-25	4060-5	4025/4020	4120-5		
3 months	4165-75	4110-5	4240/4140	4178-80	4170-80	46,549 lots
Tin ($ per tonne)						Total daily turnover 3,064 lots
Cash	4375-80	4380-90	4375	4375-80		
3 months	4425-30	4435-40	4430/4410	4420-5	4415-25	11,081 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 31,800 lots
Cash	878-81	878.5-9.5		876.5-7.0		
3 months	896-8	895-6	903/893	893-3.5	902-3	84,684 lots

LME Closing £/$ rate: SPOT: 1.5165 3 months: 1.5070 6 months: 1.4977 9 months: 1.4909

LME AM Official £/$ spot rate 1.5040

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	352.50-353.00	
Opening	355.30-355.80	
Morning fix	355.50	236.260
Afternoon fix	351.75	231.567
Day's high	357.25-357.75	
Day's low	349.00-350.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.74	6 months	2.66
2 months	2.71	12 months	2.67
3 months	2.57		

Silver fix	p/troy oz	US cts equiv
Spot	271.65	408.75
3 months	275.35	411.65
6 months	279.20	415.15
12 months	286.50	422.20

GOLD COINS

	$ price	£ equivalent
Krugerrand	355.00-358.00	235.00-238.00
Maple leaf	363.05-365.35	-
New Sovereign	84.00-87.00	55.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	35	62	53	12
1100	19	45	14	21
1125	8	32	28	32
Copper (Grade A)	**Calls**		**Puts**	
1650	51	87	20	38
1700	25	60	44	60
1750	10	40	79	89
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1100	77	113	15	40
1150	50	84	38	61
1200	29	62	67	89
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	85	123	12	31
900	66	106	18	39
925	50	90	27	48
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	21		10	35
1750	9	36	47	52
1800	3	20	88	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	352.7	355.0	353.3	350.5
Nov	353.6	355.9	0	0
Dec	354.6	356.9	357.3	350.0
Feb	356.3	358.6	359.4	354.2
Apr	358.0	360.3	360.8	356.0
Jun	359.7	362.0	360.0	358.4
Aug	361.4	363.7	360.5	360.5
Oct	363.2	365.5	0	0
Dec	365.0	367.3	364.4	364.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	355.0	358.2	362.5	355.0
Nov	363.0	363.0	0	0
Jan	357.0	361.2	364.0	356.5
Apr	358.7	362.8	361.5	358.5
Jul	359.8	363.9	361.0	361.0
Oct	361.3	365.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	405.4	404.0	0	0
Nov	407.3	406.0	0	0
Dec	407.5	406.2	409.5	402.0
Jan	408.7	407.4	0	0
Mar	411.6	410.3	413.0	406.5
May	414.4	413.1	415.0	410.0
Jul	417.1	415.8	417.0	413.0
Sep	419.7	418.3	0	0
Dec	424.0	422.6	427.0	420.5
Jan	425.2	423.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.30	74.75	74.40	74.30
Nov	74.70	75.10	75.15	74.70
Dec	75.05	75.40	75.75	74.80
Jan	75.30	75.65	0	0
Feb	75.55	75.90	0	0
Mar	75.85	76.20	76.50	75.70
Apr	76.10	76.45	0	0
May	76.35	76.75	77.00	76.60
Jun	76.60	76.95	76.50	76.50
Jul	76.85	77.20	77.70	77.05

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	18.45	18.63	19.09	18.30
Dec	18.63	18.75	19.14	18.49
Jan	18.72	18.83	19.16	18.60
Feb	18.82	18.90	18.89	18.70
Mar	18.87	18.98	19.01	18.83
Apr	18.92	19.01	18.92	18.91
May	19.02	19.08	19.06	18.96
Jun	19.06	19.11	19.09	19.00
Jul	19.05	19.15	19.11	19.06
Aug	19.19	19.19	19.19	19.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	56.05	56.72	57.45	55.65
Dec	56.90	57.44	58.45	56.50
Jan	57.20	57.69	57.95	56.85
Feb	56.95	57.44	57.20	56.75
Mar	55.95	56.19	56.15	55.75
Apr	54.60	54.89	54.60	54.60
May	53.50	53.69	53.50	53.50
Jun	54.50	53.04	0	0
Jul	53.05	53.09	53.10	53.05
Aug	53.60	53.59	53.70	53.55

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1212	1210	1221	1197
Mar	1242	1241	1250	1230
May	1255	1250	1256	1243
Jul	1268	1270	1273	1260
Sep	1283	1285	1285	1280
Dec	1295	1295	0	0
Mar	1313	1305	0	0
May	1328	1320	0	0
Jul	1348	1340	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.35	73.50	74.45	72.80
Mar	76.00	76.05	77.00	75.50
May	77.30	77.35	78.00	76.90
Jul	78.75	79.00	79.20	79.20
Sep	79.95	80.00	80.50	79.60
Dec	82.15	82.35	83.20	82.50
Mar	85.00	85.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.84	10.83	10.88	10.70
May	10.90	10.86	10.93	10.78
Jul	10.90	10.82	10.94	10.80
Oct	10.89	10.85	10.90	10.81

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.40	56.00	56.65	56.50
Dec	58.24	57.60	58.50	57.70
Mar	59.75	59.19	60.00	59.20
May	60.40	59.83	60.55	60.00
Jul	61.05	60.65	61.05	60.90
Oct	61.25	61.00	0	0
Dec	61.55	61.10	61.70	61.15
Mar	61.90	61.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	130.95	130.55	132.80	129.80
Jan	132.25	131.30	133.30	130.60
Mar	133.35	132.40	134.00	131.80
May	133.80	134.10	134.50	133.50
Jul	135.05	134.70	133.90	133.90
Sep	135.70	135.40	0	0
Nov	135.60	135.40	0	0
Jan	133.95	136.40	0	0
Mar	133.85	136.40	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Oct 4	Oct 1	mnth ago	yr ago
1578.1	1581.3	1633.5	1573.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 1	Sep 30	mnth ago	yr ago
Spot	117.10	120.57	122.14	113.30
Futures	125.31	127.44	126.45	114.46

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	605/0	618/0	615/0	604/0
Jan	612/0	625/0	621/4	611/4
Mar	619/4	632/0	628/4	619/0
May	624/6	636/4	633/0	624/4
Jul	628/6	640/4	637/6	628/4
Aug	629/0	641/0	635/0	629/0
Sep	620/2	627/0	626/0	620/2
Nov	614/6	620/4	620/4	614/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.56	23.00	22.93	22.40
Dec	22.63	23.05	22.85	22.47
Jan	22.72	23.08	22.87	22.65
Mar	22.84	23.19	23.00	22.75
May	22.85	23.20	23.05	22.82
Jul	22.80	23.13	23.02	22.80
Aug	22.65	22.95	22.95	22.80
Sep	22.55	22.80	22.75	22.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	187.1	190.8	190.0	187.0
Dec	187.2	191.0	190.4	187.0
Jan	188.1	191.8	191.1	188.0
Mar	189.9	193.8	192.8	189.8
May	191.8	195.2	194.4	191.0
Jul	193.8	197.6	196.5	193.5
Aug	194.4	198.0	196.5	193.5
Sep	195.0	197.5	198.5	199.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	237/0	242/6	240/2	236/6
Mar	245/2	250/6	248/2	245/0
May	250/4	255/4	253/0	250/2
Jul	253/2	258/2	256/0	253/2
Sep	250/2	253/0	251/6	250/0
Dec	244/4	248/2	247/2	244/0
Mar	251/0	254/6	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	312/6	316/2	315/4	312/4
Mar	317/4	320/6	319/6	317/0
May	315/0	317/2	316/6	314/4
Jul	308/2	310/0	309/0	307/4
Sep	312/6	314/4	0	0
Dec	321/6	323/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.450	72.850	73.800	72.550
Dec	75.100	74.075	75.175	73.950
Feb	75.675	75.050	75.700	74.800
Apr	76.525	76.100	76.575	75.950
Jun	73.025	72.575	73.150	72.450
Aug	71.750	71.150	71.850	71.350
Oct	72.425	71.900	72.425	72.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	49.275	48.625	49.800	48.850
Dec	50.400	48.900	50.400	50.100
Feb	49.700	48.200	49.700	49.700
Apr	48.025	46.650	48.150	47.700
Jun	52.325	51.550	52.850	51.800
Jul	51.350	50.500	51.500	50.800
Aug	49.675	49.050	49.850	49.200
Oct	45.875	45.600	46.000	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.200	54.200	56.200	56.200
Mar	56.200	54.200	56.200	56.050
May	56.450	54.450	56.450	56.150
Jul	56.250	54.300	56.300	56.050
Aug	55.275	53.675	55.675	55.000

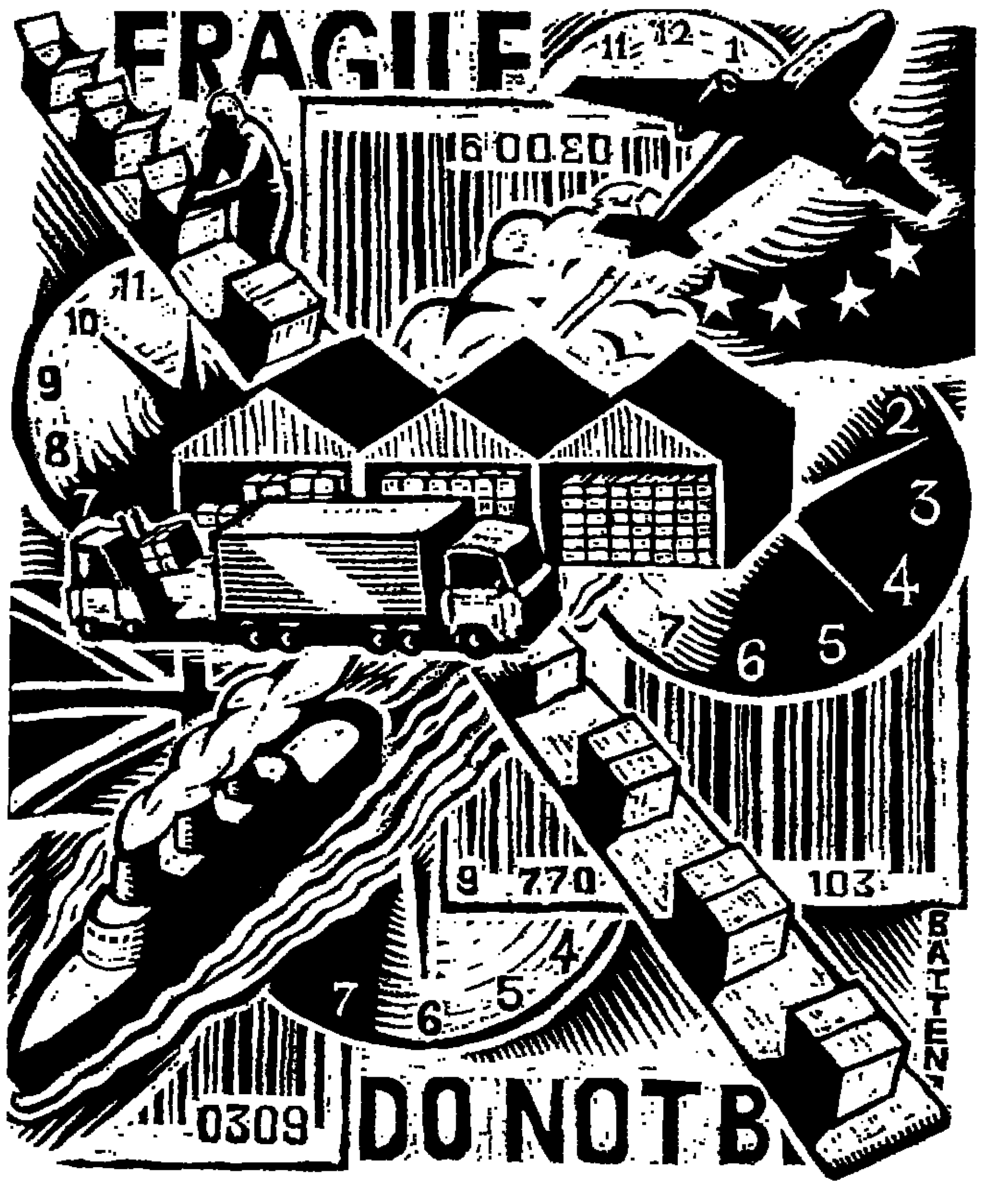
FINANCIAL TIMES SURVEY

DISTRIBUTION SERVICES

Tuesday October 5 1993

The European distribution industry is poised for a big leap forward. The advent of the EC single market has removed costly border controls and opened up the opportunity of distributing goods to a market of 320m people. **Neil Buckley** reports

Cinderella industry finds its feet



THE distribution and logistics sector is a classic Cinderella industry. In the past 30 years it has been transformed from a rather unglamorous servant into the indispensable partner of a whole range of businesses.

Despite the Europe-wide recession, the industry and its influence is continuing to grow and the advent of the single European market has opened up many new opportunities.

A couple of decades ago, it was very different. Logistics was not a concept associated with industry at all, but was defined in dictionaries as a branch of military science dealing with "the moving of and providing for troops". Distribution, says Mr Ronnie Frost, executive chairman of Hays, the business services group, had a rather more downmarket reputation.

"Thirty years ago, distribution meant 'I have wheels; I'll carry something for you'. Warehousing meant 'I've got a waterproof roof; I'll store something for you'," he says. "Now it means running a sophisticated, computer-controlled business."

The reason for the change was the realisation by manufacturers and service companies that holding large amounts of stock was costly and tied up valuable working capital.

They began to see distribution as a capital-, fuel- and labour-intensive business that lay outside their core activity.

Increasing numbers of companies began contracting out their distribution to outside specialists and found they could reduce operating costs and improve margins as a result.

As technology has advanced, many distribution and logistics contractors have now developed skills beyond the expertise of many industrial companies.

Logistics specialists offer complete supply chain management which is highly reliable and cost-effective as well as providing "just-in-time" inventory systems, so reducing stocks and improving companies' return on capital.

The results can be seen clearly in figures from the Institute of Logistics and Distribution Management, which found distribution costs as a percentage of UK companies' turnover fell from 17 per cent at the start of the 1980s to 4.7 per cent in 1991-92.

Now the European distribution industry stands on the brink of another big leap forward.

The advent of the single European market has removed costly and time-consuming border controls and opened up the opportunity of distributing goods to a market of 320m people.

The impact of the single market has been mixed. It has undoubtedly cut costs for distributors, and reduced journey times by up to 24 hours for trans-European trips. But the expected development of truly pan-European distribution companies has been held back by the comparative slowness of manufacturers to create Europe-wide operations.

Some companies, such as Unilever and Ciba Geigy, have started to close national factories and concentrate their production sites to achieve greater efficiency.

Many businesses have also sought to reduce the level of inventory in the supply chain by centralising distribution. They have moved away from national sites to warehouses servicing regions of Europe. Philips, the Dutch electronics group, for example, has rationalised a whole network of national warehouses into three regional centres.

But the development of pan-European operations has been hampered in many cases, says Dr James Cooper, director of the Cranfield Centre for Logistics and Transportation, by two factors.

One is the tendency for marketing departments to be organised along national lines, with the distribution director reporting to the marketing department.

This, in turn, has been reinforced by the slowness of manufacturers to standardise product ranges across Europe, instead retaining different products, with different labels and packaging, for different markets.

There are, of course, exceptions. Unilever has formed Lever Europe and put a marketing director in charge of each product category throughout Europe rather than give national marketers control over the whole range in each country.

Unless more companies follow suit, Europe-wide distribution networks will remain difficult to achieve.

"Progress towards removing national barriers has been much slower and more laborious than anyone expected when all this started three or four years ago," Dr Cooper says.

That means that some distribution companies who established Europe-wide capabilities have been left with costly overcapacity.

"You end up with a chicken and egg situation," says Dr Cooper. "Do you set up the network before the customer is ready, but risk getting into trouble if they don't follow you?"

The deregulation of the distribution services industry with the creation of the single European market has, however, been very successful.

The bilateral permit system, whereby pairs of governments used to regulate all haulage between their countries, was progressively broken down from the mid-1980s onwards. Full deregulation was achieved on time at the end of last year, making the whole industry more dynamic.

Moreover, this has been followed by national deregulation of distribution services by several countries including France, the Netherlands, and Spain. Even Germany is loosening the tight controls on its distribution sector.

The impact of both these changes has been lessened to some extent by recession, which is still deepening in many parts of Europe.

Although distribution companies have suffered from the slowdown in movement of goods, however, few have gone out of business.

The recession may even have some positive effects. Mr Ian Canadine, director-general of the Institute of Logistics, says the need to cut costs has led even more companies to contract out their distribution.

It has also led to a more open, co-operative approach. Instead of insisting on dedicated fleets carrying their own liveries, customers have become more prepared to share vehicles and facilities, he says.

Mr Canadine believes partnershipping of a different kind may be another important trend in the 1990s. He expects retailers, distribution companies, and suppliers to work more closely together on cutting down stockholding at every point in the supply chain, to their mutual benefit. That will involve exchanging electronic point-of-sale information, and linking systems together.

"It's not about beating the other guy into submission," Mr Canadine says. "You have to have real partnerships based on trust, where all sides get a fair share of the deal."

Technology will continue to be a driving force in the industry, with the most important advances, as Mr Canadine suggests, expected to be in information technology. Linking systems together through electronic data interchange will be a priority, as will developing the use of satellite communications to allow the whereabouts of goods to be tracked right the way down the supply chain.

A final factor shaping the development of distribution services will be the environment. The Braer tanker disaster off the Shetland Islands in January highlighted the impact a transport vehicle can have on the environment.

A survey earlier this year found two thirds of distribution companies expected operating costs to increase as a result of addressing environmental issues, although they admitted that nearly all the improvements already implemented had reduced costs. One example is speed limiters to maximise fuel efficiency, compulsory since August last year for new vehicles and now being extended to all vehicles built after January 1988.

The increasing congestion of Europe's transport infrastructure, especially its roads, may lead to some structural changes in the industry.

Increasing road traffic, coupled with the EC proposal that member states should be allowed to charge for the use of motorways to pay for their upkeep, and the opening of the Channel tunnel, could see a renaissance of the rail network as a freight carrier.

The EC plans to establish a network of intermodal transport "corridors" between main centres, with rail providing the main links, and road operations being used to handle collection and delivery at either end.

Meanwhile, Railfreight in the UK is investing £500m in new facilities connected with the Channel tunnel and hopes to more than triple the annual volume of cross-Channel rail freight to 6.5m tonnes by the mid-1990s.

It says the tunnel will cut 24 hours or more off comparable trans-European journeys by road. Manchester to Milan, for example, should take 32 hours by rail, compared with 60 by lorry. Such developments may speed up progress towards a truly pan-European distribution sector.

IN THIS SURVEY

DISTRIBUTION SERVICES II

■ PAN-EUROPEAN OPERATIONS

Single market speeds traffic

FORMAL creation of the European Community single market at the beginning of this year has already speeded up many cross-border transport and distribution operations. But the development of widespread pan-European distribution services and networks seems likely to take rather longer.

Earlier fears that some countries might not be ready to cope with the new transport environment created by the single market have generally proved wide of the mark, say distribution service operators. In fact, they claim, removal of previous border controls and the disappearance of some 85 per cent of Community transit declarations has accelerated the flow of goods.

That improvement has been particularly noticeable on long-distance road movements. Overall transit times between the UK and southern Italy, for example, are said to have been cut by as much as 24 hours, producing cost savings of up to £300 per journey.

The real key to those sort of improvements, says Mr Geoffrey Simms, vice-chairman of the international group of the UK Road Haulage Association (RHA), has been harmonised customs procedures and faster clearance.

"The dismantling of border controls has had an impact. However, speedier procedures for customs clearance have had a much greater effect," he says.

"Prior to European harmonisation, RHA members could waste as long as a day waiting for clearance from customs. This has been radically cut with European harmonisation – particularly in France, Italy and Spain – and is a major benefit to the haulage industry."

Road-based distribution service activities should further benefit from recent agreement among EC transport ministers on the format of the remaining directives needed to complete the single market for road transport operations.

Specifically, they decided on a common tax for trucks using EC roads, clearing the way for the full implementation of road cabotage under which hauliers from one member state can pick up and deliver goods within another.

In that context, EC transport ministers agreed in June that the number of cabotage licences issued within the Community should rise from the current figure of 18,500 a year to 30,000 in 1994 and then by 30 per cent annually until full liberalisation in 1998. As a result, intra-EC road transport should become much more efficient and – in theory – cheaper.

However, while road transport operations are benefiting from the advent of the single market, Europe is still generally some way from becoming one large "domestic" market as far as distribution is concerned. For the moment, most goods still tend to be distributed on a national basis. But, says Mr Michael Browne, BRS professor of transport at the University of Westminster, that situation is likely to change as cross-border trade increases.

"We can expect to see the growing internationalisation of carriers' activities, with a company providing full national distribution services in more than one country. Companies with a customer base that includes multinationals manufacturing in several European countries will need to decide their best strategies," he says.

The influence of manufacturers on the future course of European distribution industry development is also cited by the RHA's Mr Simms, although he does not envisage immediate large-scale rapid changes in that area.

"The question of whether Europe will really become one large 'domestic' market is to a large extent dictated not by the hauliers but by the manufacturers who own or supply the goods being transported," he comments.

"It is also dictated by the fundamental traditions which characterise the European market. Whereas international haulage between countries is a reality, most countries continue to operate their own domestic distribution systems. And because such distribution systems are so fundamental, there will be no immediate change in this arena."

Reinforcing the argument that many European distribution activities are likely to remain primarily nationally-based, at least in the near-term, is a pronounced lack of cross-border retailing operations.

Even those retailers which have established operations in several countries still tend to organise their distribution activities on a country-by-country basis.

That point is confirmed by Mr Ronnie Irving, managing director of international distribution activities for UK-based logistics service company Christian Salvesen Distribution (CSD). He says leading logistics service companies realise they must provide different services to retailers in different countries.

"For example, the business profile CSD has in France is very different to that in the Benelux countries and our operations in Spain are quite different to those in Germany. This is a fact which, I believe, will remain for many years to come," says Mr Irving.

Elaborating on that point, he claims the single market has not changed the logistics scene in terms of its effect on secondary distribution in the retail sector.

"What the Single Market has changed, however, and continues to change, is the way manufacturers look at their logistics and how they view supply chain management," he adds.

Manufacturers would continue to reduce the number of production points they had in the EC. Instead of having two or three factories manufacturing all the products in their range in each EC country, they would take advantage of economies of scale by producing only certain lines in certain countries and then transporting those products to the countries of consumption.

Most distribution industry observers go along with that picture of future European distribution, at least over the next few years.

The important thing for distribution service providers, they add, is to develop a clear strategy to cater for that scenario.

"More and more companies supplying logistics services realise that their future requires them to develop a European strategy. While some have sought to build a Europe-wide logistics network, others have been more cautious and have concentrated on their core skills, transferring these when possible to new markets," concludes Mr Browne.

Phillip Hastings

■ UK companies target Europe

Increasingly prominent role

RECENT news that UK-based logistics service company McGregor Cory, part of the Ocean Group, is to build an £18m distribution centre in Spain highlights two trends in the UK distribution industry as a whole.

First, there is an increase in the number of leading operators who are building up their presence in continental Europe. And second, there is a tendency by several of those companies to base their European expansion on links with specific customers rather than setting up service networks and then looking to win new business.

The announcement of McGregor Cory's new venture in Spain, for example, coincided with news that the company's Spanish subsidiary, Serralta, had won a six-year, multi-million-pound contract from detergent and household products manufacturer Procter & Gamble covering the warehousing and distribution of products in Iberia.

Other distribution companies are following a similar path. Mr John Stocker, group director business development for Ryder PLC, the UK arm of US-based Ryder System Inc, said: "Our approach is to enter a country either with a customer or with a target industry – it is not our intention to set up a European network and invite customers to use it."

Not all UK distribution companies have adopted that philosophy, though. Business services group Hays, for example, this summer followed up the acquisition of French specialist distribution business FRIL for £37.5m in 1992 with the purchase of a 75 per cent shareholding in German national contract distribution business Mordhorst for £32m.

A spokesman for Hays said that unlike some of its UK competitors which had bought smaller continental distribution service operators and sought to integrate them, it had purchased companies which already had national networks. The present generally cautious mood among UK distribution companies when it comes to European expansion in part reflects the fact that a number of earlier efforts to develop operations on the continent ran into problems.

For example, even one of the UK's most experienced distribution operators in continental Europe, Transport Development Group, was recently forced to close French road haulage subsidiary Translittoral at a cost of more than £12m following persistent heavy losses.

Mr Alan Cole, TDG chief executive, said one of the problems had been that a big company such as Translittoral had found it hard to compete with small hauliers prepared to operate at very low margins in a business where there was little scope to add value to services.

The economic recession in many European countries is further encouraging caution among UK distribution companies.

TDG's results for the half-year to June 30, 1993, for example, show how the present downturn in continental European transport business is hitting overall profits. While operating profits in the UK rose from £13.8m in the 1992 half-year to £15m this year, profits for continental Europe fell to £2.9m compared with £4.3m in the first half of 1992.

NFC group, reporting its latest results last month, said that while positive signs of economic recovery were beginning to emerge in the UK, the economic scene in mainland Europe was "more complex". Trading remained "difficult", particularly in Germany and Spain.

Longer term, however, leading UK distribution companies believe their widely acknowledged expertise will enable them to become increasingly prominent players on the broader European scene.

For example, McGregor Cory executives claim their company's planned Spanish distribution centre at Mataro, some 30km north of Barcelona, will break new ground as far as Iberian logistics operations are concerned.

Their 22,000 sq m building, due to become operational by September 1994, will feature a combination of fully-automated high bay warehousing capacity and conventional manual low bay space. That, they say, will make it the first such multi-user facility in Spain and probably Europe as a whole.

NFC's thrust into continental Europe is being spearheaded by Exel Logistics whose European developments over the past year have included work on a multi-regional chill distribution network in France: the integration of German distribution company Theo Macke u Sohn; and establishment of a new operating unit in Belgium.

Also expanding in continental Europe is Christian Salvesen Distribution. Profits for its continental activities increased by more than 40 per cent in the year to end-March to just over £6m. CSD said it experienced particularly good growth in the Benelux countries, while in Germany a loss-making contract was terminated and efforts were refocused on the company's original retail distribution business. Profits in France were held back by the lorry drivers' strike but the retail customer base was increased.

Other well-known UK distribution companies to announce new developments in continental Europe over the past year include leading parcels carriers such as Securicor Omega Express, United Carriers and Parceline. They have all expanded coverage through partnership and consortia arrangements.

Prominent among the more general UK-based logistics service operators to expand on the continent recently are Hogg Robinson, P&O and Tibbett & Britten.

Phillip Hastings

■ CONTRACTING OUT

Debate is renewed

RECESSION and the resulting pressure on company costs have revived debate about the relative merits of in-house distribution versus contracting out such operations to third-party specialists.

There have, for example, been suggestions that some large UK retailing groups – generally acknowledged as leaders in distribution systems development – might reverse the trend of the past 20 years and resume direct control of previously contracted-out distribution activities.

Several distribution market surveys during the past two years have indicated disenchantment among some manufacturers and retailers over the performance of their contractors. As recession began to bite, some companies found themselves locked into contracts which gave their contractors inflation-linked cost increases at a time when their own turnover was declining.

"When things were going well, companies perhaps signed distribution contracts without looking as closely as they should have done at clauses on costs. With the general downturn in activity, some people began to wish they had considered those sort of points more thoroughly," commented one leading UK logistics industry consultant.

At the same time, the development of ever-more-sophisticated and reliable information technology (IT) systems increasingly enables manufacturers and retailers to exert tight control over areas of distribution activity where they now have plenty of experience. And that, it is suggested, is opening up new opportunities for companies to re-establish more in-house distribution management. Overall, though, the arguments for and against contracting out distribution remain finely balanced. That point was highlighted in a study of distribution issues published earlier this year by the commercial and distribution committee of the UK's Freight Transport Association.

On the issue of costs, for example, the FTA study concluded that the operating cost of an effectively-managed in-house distribution operation was unlikely to differ much from one contracted out.

"It can be argued that a large contractor can use its purchasing power to secure more favourable terms for supplies of equipment, sites and consumables. In practice, however, many in-house operators are able to do better deals themselves," said the report.

"A poorly-managed, inefficient in-house operation which perhaps has not taken advantage of the latest technology is a different matter. A contractor may be able to offer cost savings in this case. But these probably could have been secured by the in-house operator reorganising his own systems."

Generally, added the FTA report, the main motivation for a company contracting out its distribution was likely to be the benefit of the contractor's specialised distribution know-how. Contracting out distribution did not necessarily save money.

The FTA's findings on the relative costs of in-house and contracted distribution activities are significant because that area is now widely regarded as the most important factor in many companies' approach to distribution.

The point is reinforced by Mr John Stocker, group director business development for distribution company Ryder PLC. During the 1980s, he said, development of distribution systems was often all about supporting business growth and increasing service levels.

"Now, people still want service levels, of course, but the focus tends to be on how they can take out costs. There is a lot of benchmarking going on – and distribution is one of the areas people are looking at most keenly."

However, while such pressures are encouraging some companies to consider bringing distribution activities back in-house, demand for third-party specialist services is also growing. Ipswich-based contractor Russell Davies Distribution, for example, has over the past three years increased its annual turnover for UK contract distribution business from £2m to £19m and plans to double that by 1997.

The end result as far as the overall distribution market is concerned is a continuing mixed picture. Most of the UK's leading supermarket groups, for example, are continuing to run some distribution activities in-house as an insurance policy and a benchmark with which to compare their contractors' performance.

Mr Angus Clark, the director responsible for distribution and logistics for food retailer J Sainsbury, told a seminar organised by Exel Logistics earlier this year that he expected the distribution industry to continue developing in both directions. He pointed out that Homebase, Sainsbury's DIY subsidiary, was content to have warehouse and transport operations run on its behalf by Exel. For the supermarket business, though, the group operated some of the activity directly but outsourced most to third-party operators. "We believe this combination gives us the advantage that we continue to source ourselves with experienced and professional distribution management," he said.

"It makes research and development easier – both on methods and systems – if we have our own test beds. And it provides us with direct cost comparison to help us manage the contract operations successfully, and to feel satisfied about their performance."

One relatively new trend starting to become more apparent in the UK distribution sector is a return to favour of third-party common-user operations where two or more customers share the same facilities and services.

The popularity of common-user systems declined during the 1980s as companies sought the service advantages of dedicated operations. But now, says Ryder's Mr Stocker, "people are realising that there are economies of scale to be gained from shared user networks."

Phillip Hastings

■ INFORMATION TECHNOLOGY

Focus on communications

DISTRIBUTION companies have been swift to recognise that the delivery of information is integral to the process of delivering anything else. Knowing where the consignment is, what's holding it up, and when it will be delivered can do as much for business and the customer's goodwill as delivering the actual goods.

This depends on speeding information down the line to wherever it is needed. To make the process faster and more efficient for everyone, not least the end customer, different carriers may soon collaborate and co-operate in passing information.

The distribution industry should have more to gain than any other in the dismantling of European trade barriers and the rise of EDI – electronic data interchange.

Information technology is being pressed into service despite different data formats, incompatible systems, nationally based telephone networks, and other historical quirks imposed by working in the real world.

The industry has already capitalised on such techniques as satellite tracking, the use of bar codes and hand-held scanners for data acquisition, and on-board laptop or even dashboard-mounted computers.

Its advances rely not on great leaps forward in technology, but in imaginative use of what's available, with EDI as the mortar between the bricks.

"The fast movement of information and systems to speed goods through the supply chain is what logistics is all about," says Nick Allen, editor and publisher of the niche magazine *Logistics Europe*.

"It means supply chain management. It concerns everything from management of stores right to manufacturing and physical distribution. *Logistics Europe*, launched in January to coincide with the abolition of European trade barriers, covers every aspect of logistics and distribution. The siting of high-tech warehouses is a particularly hot topic.

Technology, according to Mr Allen, plays an increasing part, and is moving at a brisk pace; with radio and satellite communications, warehousing and new barcoding tools such as the PDS417 "chequerboard" which can contain information about an entire consignment.

"There's a new philosophy coming from the US which suggests that logistics is all about customer response," he adds. "It's led largely by the retail and grocery business." There are, he points out, a growing number of companies large enough to take a global view, and some of them are restructuring across Europe in response to changing trading conditions.

David Hobbs, associate director of the CMG consultancy responsible for consumer products, also points to the integration of all sorts of services and technologies.

These offer individual advantages, but merged together are beginning to provide a seamless flow of information from manufacturing to the distribution process.

In effect, the benefits – and the responsibilities – of the "Just In Time" manufacturing ethic are being pushed further down the line, right into the area of delivery and distribution across national borders. But Mr Hobbs sees problems in the legacy of different systems and protocols in various countries.

"What clients need is a flexibility of approach to cope with rapid change. This is reflected in the move to client-server systems, wide area networks, and the ability of powerful communications to deliver worldwide logistic information," he says.

He points to the development of such technologies as satellite tracking, which can pinpoint the whereabouts of a vehicle within 30m. Information barriers here are artificial, like many a national border.

MSAS, part of the Ocean Group, is an airline carrier with a crusading attitude to the removal of barriers in its industry. It has been campaigning for the clarification of electronic information transfers, regulations, and systems. These have been complicated by a number of different standards, developments and protocols governed by different bodies.

"The question is which IT system and package is going to be acceptable and compatible with the specifications dictated by regulations, procedures, trends and market forces," says Mr Geoff Corpe, managing director.

MSAS has developed its own package, Unitel 21, which it claims to be the largest integrated information system in the world, recording information as it happens, from initial booking through to pick-up, gateway despatch, flight and delivery to consignee. Adaptability, for MSAS, means fitting in with other systems used by contractors outside the air-cargo industry, and the experience of building Unitel has given Mr Corpe a global view which looks beyond air-cargo alone.

Wincanton Storage, a specialist in transport, warehousing and distribution, has adopted the Miracle package from Calidus Systems

"If EDI is to come into more frequent usage, the industry body BIFA, and large airfreight operators such as ourselves must continue to drive home its benefits. The air cargo community must have a commonality of approach to message standards, and service providers. At the moment a number of EDI message formats exist such as CARGO-IMP, ANSI.X12 and EDIFACT (Electronic Data Interchange for Administration, Commerce and Trade).

"But CARGO-IMP is a format designed by and for airlines, which allows only for the exchange of information between the airline carrier and community systems such as ACP 90 (Air Cargo Processing), and very soon CCS-UK (Cargo Community System for the UK). It is too restrictive if it is to be quickly available for consignors and consignees, whereas EDIFACT is the agreed international standard, recognised by the United Nations and as such should be adopted by the air industry."

TNT White Arrow Express, part of the GUS Home Shopping Group, is another leading investor in systems: GUS has invested over £65m in its IT infrastructure over the past five years. It has concentrated on the other end of the scale, local knowledge, which it has built into its delivery structure using Geographical Information Systems. Its 38 delivery depots use "sector management," assigning delivery rounds not by the number of parcels but by the territory.

Their data is mapped using software from GB Postcoder (the Royal Mail's database of 24m UK addresses) and a 1:25000-scale Ordnance Survey map. In consensus with the local drivers, whose long-standing expertise on an area is built into the database, each address is assigned a time value. Each depot has about 400 sectors, optimised to reflect local traffic conditions and even buildings such as blocks of flats or industrial estates.

The workload then becomes easier to predict and drivers are paid by work content rather than volume.

"The system bridges the gap between local intelligence and our own skills in planning," explains Tony Lowe, White Arrow's services director. "All our systems are developed now to improve quality of service, not just to reduce costs. It makes us more efficient, because parcels don't get returned to the depot: we know the driver can deliver the allotted load." He claims a remarkable improvement due to the system: delivery time within three days rather than an average seven to 10 days. Future plans include onboard computers to close the final gap; that of delivery confirmation.

Federal Express has used onboard computers since the 1980s and pioneered real-time shipment tracking. Its latest innovation has, like White Arrow's, been aimed at improving courier productivity. Every courier now carries an ASTRA (Advanced Sorting Tracking Routing Assistance) label printer, which eliminates human error by converting tracking data into routing labels readable by both humans and machines.

Few companies have the resources of Federal Express, GUS and MSAS for development from scratch. Wincanton Storage, a specialist in transport, warehousing and distribution, has recently adopted the Miracle package from London-based Calidus Systems. Its aim is to "drive costs out of the supply chain" by implementing the system at appropriate manufacturing and retail customers in industries including ambient, fresh and chilled food, and DIY products.

Wincanton's approach is typical of future trends, which will probably concentrate less on functional organisation, and more on business processes. This is the view of Chris Smith, marketing director for software products, based in Andersen Consulting's European Software Centre in the south of France. The spread of EDI, with client-server and distributed computing has made it possible for processors and processes to communicate.

Technology on the move: Allied Pickfords drivers receive and send messages via BT's C-Sat satellite system

"One of the key issues is service," says Mr Smith. "The process of capturing and fulfilling a requirement, from order through purchasing, manufacturing and delivery could take place from different geographical locations: ordering in one country, manufacturing in another, shipping in another, invoicing from yet another. These are all possibilities becoming a reality, enabled by a different type and style of information."

However, he sounds a warning which echoes Mr Corpe's point about short-sighted parochial borders. "As an observer, we've noted that some organisations are better able to communicate with outside partners than internally."

Claire Gooding

■ THE RETAIL INDUSTRY

More changes ahead

RETAIL distribution in the UK has undergone two big processes of change in the past two decades. In the 1990s, it may undergo a third.

Retailers have led the way in centralising and contracting out distribution, and have done much to make that the norm across many different industries.

The process began in the 1970s, when supermarkets started using their growing financial muscle to wrest control of the supply chain away from suppliers and manufacturers. They established their own warehouses which suppliers were instructed to deliver to, instead of direct to the stores.

The impetus for the move was the development of larger and larger supermarkets. Food retailers realised they had to maximise selling space and cut down storage space in their shops in order to compete.

In the late 1970s and early 1980s, however, the situation changed again as retailers began consolidating networks of small local warehouses into a handful of much larger warehouses. Technology also advanced rapidly, with computer systems linked to scanning technology giving retailers much greater information about customers' buying patterns, and allowing them to control the supply chain much more closely.

As retailers began to pour money into expanding their superstore chains, however, they started to cut down their investment in distribution, increasingly contracting out that function – and the associated investment – to third party specialists.

At first, that was largely at the level of vehicle fleet hire, but eventually third-party contractors began to provide everything from transport and personnel to warehousing.

By the beginning of the 1990s, retail distribution in the UK was highly centralised. The Institute of Grocery Distribution found that an average of 83 per cent of goods were distributed centrally by retail multiples in 1991.

Tesco had reached 97 per cent; Argyll, owner of Safeway, 93.5 per cent; and J Sainsbury 92 per cent. At the same time, the average level of contracted-out distribution has reached about 50 per cent.

Dr John Fernie, of Dundee Business School, editor of the *International Journal of Retail and Distribution Management*, has conducted a recent survey of third-party distribution and says Tesco contracts out 55 per cent of its distribution; Safeway 35 per cent; Sainsbury 60 per cent; and Asda about 70 per cent.

The fruits of these changes are evident from a survey by the Institute of Logistics and Distribution Management which showed that UK retailers have cut spending on distribution from 12.3 per cent of total costs in 1983 to 4.7 per cent in 1992.

That makes their distribution costs considerably cheaper than those for many retail chains in continental Europe, and is one reasons why they achieve higher operating margins than overseas counterparts.

But in the 1990s, a third change may be on the way. Industry experts say the buzzwords are "efficient customer response".

The principal aim in distribution is now to reduce the amount of stock held at all points along the supply chain, to try to move ever closer to the ideal, whereby goods are whisked onto the supermarket shelves almost as soon as they come off the production lines.

Mr Ian Canadine, director-general of the Institute of Logistics, says retailers have previously tried to shift as much as possible of the stockholding and associated costs onto suppliers. Now, however, they are realising that those costs will eventually be passed back to them in the form of higher prices for products, and they would do better to examine how to reduce costs along the whole supply chain, to everyone's mutual benefit.

To achieve that requires greater co-operation between retailers and suppliers. Ideally, suppliers need to receive Epos (electronic point of sale) information to allow them to plan their production according to genuine sales data rather than retailers' forecasts. To achieve the greatest efficiency, however, suppliers need to receive information from all their main customers.

Perhaps the most important 1990s buzzword, therefore, is "partnershipping".

Mr Jim Young, business director at PA Consulting Group, who has headed several retail distribution projects, says the benefits of partnershipping can be considerable. One project where a retailer was encouraged to co-operate with suppliers resulted in a 30 per cent reduction in stockholding, from six weeks to four weeks.

Asda, the UK's fourth-largest superstore operator, is leading the way in sharing Epos information with suppliers

The sticking points, he says, include the traditionally combative relationship between retailers and suppliers, and nervousness among retailers about revealing Epos information.

"The biggest question is how you split the benefit down between the manufacturer and the supplier," he adds.

Closer relationships are developing, however. Asda, the UK's fourth-largest superstore operator, is leading the way in sharing Epos information with suppliers.

If the tendency spreads, retailers' warehouses may be used less for storage and more as trans-shipment centres. If that happens, Dr Fernie speculates that retailers could find their heavy investment in large distribution centres in the 1980s has left them with bigger facilities than they need in the 1990s.

Another important trend in the industry is for expertise developed in the food retailing sector to be transferred into the non-food area, which has been slower to adopt centralised distribution. "What all the sophisticated composite distributors are looking at now is non-food," says Mr Ronnie Frost, executive chairman of Hays, the business services group.

The process is already starting. Laura Ashley, the UK fashion and furnishings group, has brought in Federal Express Business Logistics on a 10-year contract worth at least £150m. Its mission is to sort out a somewhat labyrinthine distribution system, halve the value of stock in the supply chain to £30m, and cut logistics costs by up to 12.5 per cent.

Finally, an important challenge to distribution specialists is the increasing internationalisation of retailing. The pace of cross-border expansion, mergers and acquisitions has quickened in the past year, and the advent of the single European market is likely to accelerate the trend for supermarkets to join European buying groups.

As retailers expand beyond their national borders, demand will increase for distribution and logistics specialists with European, and even global, reach.

Neil Buckley

THE advent of the Channel tunnel and development of related intermodal road-rail transport facilities could open up a range of new European distribution services.

On the other hand, say some distribution industry sources, the tunnel could fail to attract the freight volumes anticipated – and hopes for general expansion of intermodal transport could be dashed by a lack of investment and suitable facilities.

The Channel tunnel will provide the distribution industry with two transport options. First, it will carry rail-based freight and passenger services between the UK and continental Europe. Second, it will carry rubber-tyred traffic – lorries, cars and coaches – on specially-designed shuttle wagons which will move between Folkestone and Calais via a loop system.

The second option, for both freight and passenger, will be operated under the brand name "Le Shuttle". On the freight side, specially-designed shuttles will accept vehicles up to 44 tonnes total vehicle weight, 18.5 metres in length, 4.2 metres in height and 2.6 metres wide. Each freight shuttle will be able to accommodate 28 heavy goods vehicles.

■ Rail and intermodal services

Opinion divided over tunnel

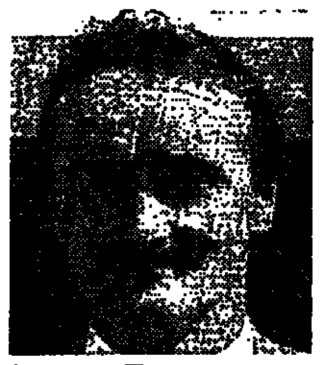
Supporters of the Channel tunnel envisage it becoming a vital link in a planned Europe-wide high-speed rail system connecting centres as far north as Edinburgh, Glasgow or Copenhagen with southern points such as Rome, Lisbon and Seville.

British Rail subsidiary Railfreight Distribution (RfD) predicts that this sort of development should help to treble railfreight traffic between the UK and mainland Europe over the next seven years. At present, trainferry and "lo-lo" (lift-on/lift-off) railfreight traffic in that market totals about 2m tonnes, says RfD. It forecasts that by the year 2000 the figure will be about 6.5m tonnes.

For the moment, however, general UK distribution industry opinion on the viability of the Channel tunnel is divided, with debate continuing between those who see the project as a potential catalyst for a much wider development of European rail and road-rail intermodal transport services and those who see it as a vast waste of money and effort. At this year's UK Institute of Logistics & Distribution Management conference in Birmingham, for example, Mr Brian Bolam, managing director of TNT Contract Logistics Europe, commented that "there is a very big chance that the tunnel will be one of the biggest white elephants of all time". However, Mrs Ivy Penman, head of international planning for NFC distribution company Exel Logistics, said her company welcomed the Channel tunnel as a "major catalyst for future efficiency and growth". She said the two competitive offerings from the tunnel – the road or "Le Shuttle" option and the through-rail alternative – would provide a "real choice for all logistics users".

Over the past few months, general UK distribution industry interest in the Channel tunnel and intermodal road-rail transport has begun to pick up with the emergence of a steady stream of more positive news concerning tunnel-related freight developments.

Last month, for example, saw the opening by British



Stephenson: 'The urge to put goods on rail is enormous'

Rail's Railfreight Distribution (RfD) division of a new £18m European freight operating centre in North London which will process all freight trains transiting the tunnel. And in Scotland, the main structural work for a new £8.6m "Eurocentral" railfreight terminal in Mossend, Lanarkshire, was formally inaugurated.

A month earlier, construction of a Channel tunnel-linked railfreight terminal to serve north-west England was completed. The new £11m Euroterminal, located at Trafford Park, Manchester, is one of nine such facilities being developed in Britain by RfD. It is equipped to handle as many as 100,000 containers/swapbody units a year and is designed to complete rail-to-road transfers in less than three minutes.

Individual distribution service companies are also pressing ahead with new developments designed to help them make use of the tunnel. Freight forwarder Davies Turner, for example, is developing a new £2.5m terminal next to the Manchester Euroterminal and will shortly open a £5m terminal at Dartford, Kent.

Mr Philip Stephenson, Davies Turner joint managing director, says the company's new Manchester facility is a "good example of the way the private sector can invest in the opportunities presented by the tunnel".

The Dartford terminal, he says, will be used both for intra-European traffic and as a gateway for freight coming in from overseas and destined for onward distribution by road or rail in continental Europe. The company anticipates using the Channel tunnel for some of that traffic.

"We definitely believe the Channel tunnel will have a role to play in distribution. In continental Europe, the urge to put goods on rail is enormous, particularly in countries such as Switzerland and Austria," adds Mr Stephenson.

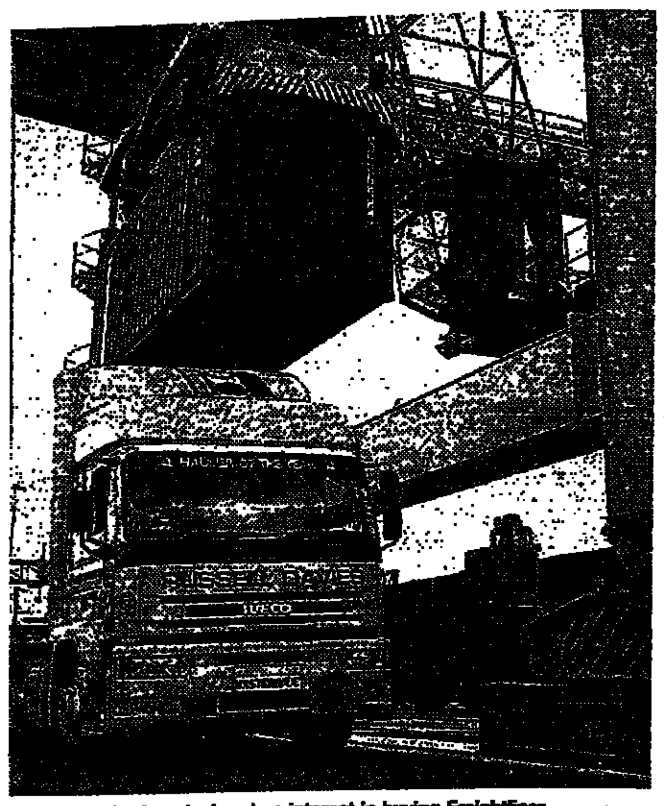
That "urge" is being further stimulated by European Commission support for plans to establish a network of intermodal transport "corridors" between the biggest European centres, with rail providing the linehaul and road operations being used to handle collection and delivery activities at either end. The Commission plans to introduce further legislation to make it easier for new combined transport companies to access European rail networks.

Mr Michael Browne, BRS professor of transport at the University of Westminster, believes one of the big influences on the future growth of intermodal distribution will be road haulage costs.

He told a recent intermodal transport industry seminar that road transport was viewed by many companies as a relatively cheap resource. And short-term costs might fall. But longer term, road transport costs were likely to rise in real terms because of increases in fuel taxes, traffic congestion, more road tolls and commercial vehicle bans. As a result, combined transport would become more attractive.

However, other distribution industry observers warn that immediate prospects for greater use of railways in the UK for moving freight could be inhibited by uncertainty arising from the planned privatisation of British Rail. That development is, for example, raising new insurance issues for companies planning to operate or use Channel tunnel freight services.

Phillip Hastings



Russell Davies has declared an interest in buying Freightliner, intermodal arm of Railfreight Distribution (RfD), the British rail subsidiary. For the past 10 years, Russell Davies has operated Masterhaul, a marketing joint venture with Freightliner, providing an integrated container collection and delivery service.

■ Environmental issues

EC legislation sets the pace

EC LEGISLATION is the main force behind the introduction of environmental measures by companies, according to a survey of the logistics and distribution industry by management consultants PE International.

Eighty-one per cent of respondents cite Brussels as a main source of environmental pressure, with 44 per cent indicating UK legislation and 40 per cent saying the impetus comes from customers.

The survey, produced earlier this year, revealed that more than two thirds of companies expect operating costs to increase as a result of addressing environmental issues. However, it also found that nearly all improvements implemented so far have had a significant element of cost reduction.

Most companies are likely to have taken the obvious steps such as more efficient routing and fuel economy measures, explains Mr Jan Szymankiewicz, managing director of P-E's logistics consulting arm. He says that they are less willing to take initiatives that do not produce savings.

When compared to other companies involved in logistics in sectors such as retailing, dedicated distribution companies feel under less pressure to respond to environmental issues. Their main concern, according to the survey, is to meet the needs of clients and environmental action follows from contractual arrangements.

In total, the companies surveyed – all members of the Institute of Logistics and Distribution management, now merged into the Institute of Logistics – are responsible for 40,000 commercial vehicles, 32,000 company cars and 1,700 warehouses. But only 19 per cent have a specific logistics-and-the-environment policy. Only 7 per cent have so far carried out work in all of the areas surveyed, which included environmental auditing and adoption of relevant training policies.

There are bright spots: nine out of 10 companies expect to adopt environmentally aware policies within the next five years, and larger companies are taking the lead in introducing policies and training.

Parcelforce, the UK's biggest carrier of parcels and packages, won the Motor Transport Journal's prestigious environmental award this year. It was judged to be the haulier with the biggest environmental commitment. Parcelforce has a battery of environmental measures.

Rather than wait for full implementation of the EC directive on speed limiters next year, it has already set them to 56mph. Many other large companies are keeping them at 60mph for as long as possible, saying fuel consumption will rise. "Our experience is that we are saving 7 per cent on our fuel bill," says Mr Ken Mabbett, Parcelforce's head of transport.

Advanced driver training has also reduced fuel consumption: "They use the vehicle better; they use the gears properly," says Mr Mabbett. Parcelforce has also improved vehicle design. Parcels can be loaded onto both decks of the new 13-metre "double deck" trailer, providing 60 per cent greater capacity. A reduction of 20 per cent in overall trailer numbers is expected.

Innovations such as this are helping to ease traffic congestion, one of the biggest environmental issues facing the industry. The government says that in the 1980s motorway traffic doubled, and forecasts that by 2025 all road traffic will increase twofold. Overall, however, although freight vehicles cover more than 60bn kilometres in the UK each year, this is less than a fifth of car mileage. The government is mooting a toll of 4.5p a mile for lorries in its green paper on motorway finance, but tolls at this level are unlikely to impact significantly on the volume of road freight.

The government claims that its intermodal freight initiative, which involves 44-tonne lorries being allowed on UK roads from next year, could reduce the number of lorries on the road by about 5,000 vehicles.

"This is just a back door way of allowing 44-tonne lorries," says Mr Stephen Joseph, executive director of campaigners group Transport 2000. He foresees the limit being raised for all lorries and points out that because bigger vehicles are more economic, greater numbers of heavy lorries will appear.

Under EC legislation, the UK must allow trucks of up to 40 tonnes by 1999. If the Department of Transport continues its policy of imposing improved road-friendly suspension for lorries, some environmental damage will be avoided. Unfortunately, it is restricted in doing this by European legislation for some categories of heavy goods vehicle.

Companies actually regard the disposal of waste and packaging as the most important environmental problem facing them. Large volumes of packaging waste can accumulate at stores and depots, and companies have started to sort, bale and recycle it. Some businesses have also had their hands full with registration requirements for waste transportation required under the Environmental Protection Act of 1990, which define waste very widely.

The industry is awaiting implementation of the EC directive on packaging and packaging waste with some apprehension.

Peter Carty

LONDON STOCK EXCHANGE

Futures lead 28 point FT-SE advance

By Terry Byland,
UK Stock Market Editor

THE UK stock market advanced strongly yesterday as President Boris Yeltsin's re-establishment of his authority in Russia enabled investors to turn their attention back to the underlying investment fundamentals in London stocks. The lead came from stock index futures, where the December contract on the FT-SE Index closed within eight points of the all-time high reached at the end of August.

Market strategists were surprised by the 28 point rebound in the Footsie Index. However, they pointed out that yesterday was the first day of a new equity account which features Thursday's speech to the UK Conservative party conference by Mr Kenneth Clarke, the chancellor of the exchequer.

While the City of London expects that any cut in domestic base rates or similar economic boost is likely to be postponed until the budget in November, it still hopes that Mr Clarke will deliver a confidence-boosting speech this week.

Mr Marcus Grubb at Salomon Brothers International expects the chancellor to cut rates by as much as 1 per cent to offset revenue raising in the budget. "UK equities now represent good value compared to other international equity markets," he says. Salomon is switching to an overweight position in the UK and raising its year-end Footsie target to 3,200, catching up with several other UK equity analysts.

Equities opened lower, restrained at first by ex dividend quotations in a number of leading stocks but also by the increasingly ominous reports of military clashes in Moscow. However, the relatively calm reaction from other European bourses, as well as the oil and currency sector, helped London to steady and then to improve as stock index futures opened.

Turnover was sluggish at first, and share gains were modest until mid-session, when the stock market responded vigorously to a soaring premium on the Footsie December future and also firmness in UK government bonds. Good M0 money supply and consumer lending data also helped confidence.

London was undeterred by a slow start on Wall Street or by a lower dollar which restrained the blue chip internationals. Neither oils nor pharmaceuticals could maintain the strength shown last week, although there was heavy arbitraging between stock index futures and the underlying blue chip stocks. Leadership of the market was taken up by the banking and retail sectors which have most to gain from lower interest rates.

At the close, the FT-SE Index was 28.4 ahead at 3,067.7 after its best daily performance since August 25. The FT-SE Mid 250 Index, covering the range of smaller stocks, closed 12.6 up at 3,439.3.

In spite of the quickening of pace in the second half of the session, Seaq trading volume, at 552.3m shares, remained well short of Friday's total of just over 636m. The focus on blue chip arbitrage dealing reduced to around 55 per cent the contribution to the total of deals in non-Footsie stocks.

With the dramatic news from Moscow taking up most of the attention in the dealing rooms, there were fewer individual stock features than the rise in the market suggested. But a good take-up for the £324m rights issue from Cadbury Schweppes indicated a buoyant undertone.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	16,000	56¼	+2
Abbey National†	1,500	421	+8
Albert Fisher	1,400	72	
Allied-Lyons†	1,100	588	+5
Anglian Water†	144	533	+7
Argos	529	341	-½
Argyll Group†	7,400	298½	+10½
Arjo Wiggins†	523	217	+3
Assoc. Brit. Foods†	217	474	-1
Ass. Brit. Ports	63	485	+3
BAA†	556	869	+14
BAT Inds.†	5,000	461	-1
BET	2,200	131	+3
BICC	1,300	423	-2
BOC†	1,200	629	+8
BP†	7,100	328½	-1
BPB Inds.	1,800	273	+4
BT†	5,800	438½	+5
BT (P/Paid)	8,600	183	+4
BTR†	14,000	378½	+4½
Bank of Scotland†	2,400	182	+5
Barclays†	4,000	545	+11
Bass†	2,700	468	+10
Blue Circle†	2,200	283	+1
Booker	532	387	-6
Boots†	1,000	481	+2
Bowater†	877	480	+6
Brit. Aerospace†	588	420	+8
British Airways†	1,700	359	-2½
British Gas†	6,100	325½	-1
British Land	940	395	+7
British Steel†	5,000	126	
Bunzl	3,000	142	-1
Burmah Castrol†	137	779	+1
Burton	3,200	74½	+1
Cable & Wire.†	970	598	+13
Cadbury Schweppes†	1,700	454	
Calor Group	88	273	+1
Carlton Comms.†	1,100	788	+1
Coats Viyella†	1,200	258	+4
Comm. Union†	1,300	559	+8
Cookson	1,500	202	+6
Courtaulds†	488	495	-1

	Volume 000's	Closing Price	Day's change
Unilever†	789	1058	+13
United Biscuits†	885	345	
Utd. Newspapers	1,800	526	-3½
Vodafone†	2,000	518	+7
Warburg (SG)†	1,300	815	+18
Wellcome†	712	710	+6
Welsh Water	212	620	+18
Wessex Water	398	642	+17
Whitbread 'A'†	1,000	527	+7
Williams Hldgs.†	832	322	
Willis Corroon	332	219	-1
Wimpey	355	178	-3
Wolseley†	422	675	+17
Yorkshire Elect.	386	590	+7
Yorkshire Water	780	547	+6
Zeneca†	1,000	729	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Sep 20	Oct 4	Oct 18
Option Declarations:	Sep 30	Oct 14	Oct 28
Last Dealings:	Oct 1	Oct 15	Oct 29
Account Day:	Oct 11	Oct 26	Nov 8

*New time dealings may take place from two business days earlier.

Shift on food retailers

FOOD retail shares bounced forward as BZW, one of the sector's leading brokers, joined the growing band of commentators to believe that the share price falls of recent months have been overdone. The broker moved from "sell" to "hold" on two of the sector's biggest stocks and adopted a more positive view on the sector as a whole.

Mr Bill Curry at BZW said: "Since we turned sellers in early March, the sector has under-performed by 30 per cent. But we believe there is now evidence of food price stability creeping back into the sector." The broker moved Tesco, up 7 to 200p ex-dividend, and Argyll, ahead 10½ at 298½p, to a hold, and retained the same recommendation on J Sainsbury, 12¼ forward at 428½p.

To encourage investors, BZW also launched a food retail warrant incorporating a basket of stocks by market capitalisation. The £100m launch is one of the first to include solely UK traded stocks.

Utilities wanted

Utilities were in demand on yield considerations. Water stocks received an additional boost as broker SG Warburg moved from "neutral" to "overweight". Warburg cited several reasons for the move including, the sector's "safe premium yields as base rates remain on a downward trend." The broker also liked the defensive earnings appeal of the sector and the possible boost to dividend growth and non-consumer stocks in next month's budget should the chancellor increase taxes on consumer goods.

Among the strong performances across the sector, Severn Trent gained 11 to 542p and Southern 17 to 569p. Both are tipped by Warburg. Elsewhere, Welsh put on 14 to 620p and South West 15 to 575p.

However, the market appears divided over the appeal of the sector. With an eye on next month's Ofwat report, NatWest Securities on Friday moved three water stocks to an "underperform" recommendation, arguing that "regulatory worries will pre-dominate" over the next 10 months.

Gas trails

Shares in British Gas trailed the market closing a penny lower at 327p, following volume of 5.9m, after analysts at Nomura urged investors to sell the stock.

The new oils and gas team at the securities house believe the outlook for the stock remains uncertain as "it looks increasingly unlikely that the government will accept the recent Monopolies and Mergers Commission report on the break up of British Gas."

Sentiment was further dented by news from the company that it expects its share of the firm contract gas supply market to drop to 55 per cent by the end of next year from its current level of around 68 per cent.

Ladbroke doldrums

Negative press comment kept Ladbroke in the doldrums, the shares closing 10 down at 178p ex-dividend in busy turnover of 6.3m. The company last weekend warned newspapers not to repeat allegations believed to be already the subject of an injunction at another Sunday newspaper.

Yesterday, the leisure sector was abuzz with talk over the affair, with most analysts agreeing that the whole episode had been blown up out of all proportion. "Ladbroke is always prone to this kind of rumour," was the almost universal view. Ladbroke shares weakened last week, mostly on the back of poor figures from rival hotelier Forte, whose shares rose 5 yesterday to 226p ex-dividend.

Shares in BP bucked the market trend finishing a penny lighter at 329p on volume of 7.1m as market watchers came to the view that last week's advance in the wake of OPEC agreements, had been overdone. However, Shell Transport continued in favour and the shares put on 6 to 682p. Also in demand was Enterprise Oil, where last week's recommendation from Nomura continued to boost trading. The shares put on another 6 to 476p.

Among banking stocks, Bank of Scotland were wanted ahead of tomorrow's interim figures and the shares hardened 5 to 182p.

Investors in Standard Chartered continued to be cheered by Friday's news that the bank had been paid £25.9m in settlement of its claim against National Housing Bank of India and the shares gained another 16 to 984p.

Shares in financial services and banking group London Scottish Bank tumbled 10 to 89p, making it the day's biggest retreat in the market, after news that the group had terminated talks that could have led to an offer.

Speculation that Lucas Industries would announce a new chairman when it reports figures next Monday, once again did the rounds in the market. The shares advanced 7 to 156p, in trade of 2.4m with the name of Mr George Simpson, currently deputy Chairman at British Aerospace and head of its Rover subsidiary, mentioned as the most likely candidate.

Weekend press reports that Johnson Matthey, the world's largest platinum metals group, and Cookson Group were planning to merge their interests in metals, encouraged demand for both stocks. The former gained 4 to 483p, while the latter moved 6 ahead to 202p, as one analyst said that "such a move makes sense and it would result in synergy for both groups."

Securities house BZW was reported to have recommended TI Group, where the shares put on 4 to 350p. Fears of litigation in the US dampened enthusiasm for T&N and the shares finished 5 lower at 183½p. The strong market trend helped Glynwed bounce from the recent doldrums and the shares hardened 7 to 316p.

A squeeze in UK airports operator BAA saw the shares advance 14 to 869p. However, nervous trading ahead of today's publication of September traffic data, depressed British Airways, leaving the shares 2½ lighter at 359p. Sentiment was also weakened by talk that the UK government was considering charging VAT on domestic UK flights.

Shares in tobacco and financial services group BAT remained under a cloud following last week's poorly received visit to its US operations by UK analysts. They closed 2 down at 461p, after trade of 5.8m.

International conglomerate Hanson, recently the subject of a spate of profits downgradings and sell advice, bounced 6 to to 260p in strong business of 14m shares. Dealers suggested the UK selling had dried up leaving US demand to underpin the day's advance.

Weekend reports of impending changes to the board of Lonrho, the international trading group, boosted the company's shares and they firmed 3 to 124p.

NatWest Securities was reported to have recommended Royal Insurance and the shares gained 6 to 326p.

News that building materials group Heywood Williams has increased sales points from 90 to 140 upon completion of a £11m deal was followed by a fall in the shares of a couple of pence to 343p. Post-tax profits of £0.6m for the 7 months to July 1993 were also welcomed.

Light trading ahead of forthcoming annual results edged construction group Wolseley 17 to 675p; analysts expect profits of £120m.

ICI chairman Sir Denys Henderson's cautious comments in Rome concerning the future of the European chemicals industry left ICI shares unchanged at 716p. Hoare Govett suggested that the stock is overvalued since, "the rating of the shares more than discounts cyclical recovery".

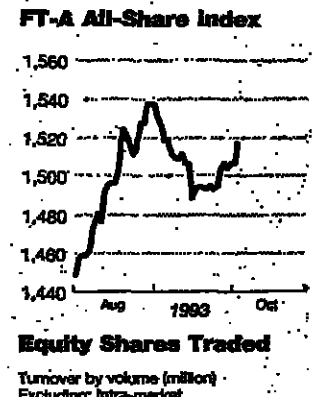
Avon Rubber shares fell 3 to 510p with views on short term prospects clouded by reports of poor car sales in Europe. Inchcape was appointed by Jaguar to set up 3 dealerships in China, the shares remaining unchanged at 519p.

Textiles group Coats Viyella continued to impress analysts favourably and the shares rose 4 to 258p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Saqib Qureshi.

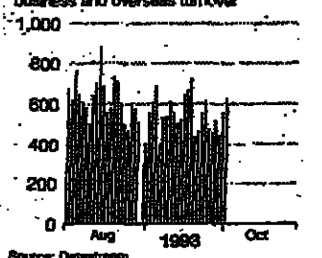
■ Other statistics, Page 23.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (154).
BRITISH FUNDS (3) Tr. 2pc I-L 1994, Tr. 2pc I-L 1996, Tr. 2pc I-L 2006, AMERICANS (1) Texaco, BANKS (6) Bank of Scotland, Barclays, Natl. Westminster, Royal Bank of Scotland, TSB, BREWERS (3) Regent Inns, Wetherspoon (J.D.), BLDG MATLS (6) BPB Inds., Derby, MB Caradon PL, Meyer Intl., RMC, Wolseley, BUSINESS SERVS (6) BNB Res., Coutts [illegible] … Fired Earth Tiles, Marks & Spencer, [illegible] (4), TELE NETWORKS (1) Brit. Telecom P/ (4), TEXTS (7) Allied Textile, Helene, Rexmore, P, TEXTS (7) Allied Textile, Helene, Ramar, SEET, Shanl, Shiloh, Sirdar, TRANSPORT (8) BAA, Dawsongroup, Forth Ports, GATX, P & O 5½pc Pfd., Powell Duffryn, PLANTATIONS (1) Anglo-East.
NEW LOWS (24).
BREWERS (1) Guinness, CHEMS (1) Courtaulds, ELECTRICALS (1) Burnfield, ELECTRONICS (1) Linx Printing Techs., ENG GEN (1) Atlas Converting Equipment, FOOD MANUF (2) Dalepak, Yorkshire, FOOD RETAILING (5) Argyll, Low (Wm), Morrison (Wm) Supermarkets, Sainsbury (J), Tesco, HEALTH & HSEHOLD (1) Celsis, INSCE BROKERS (2) Alexander & Alexander, Hogg, INSCE COMPOSITE (1) Finans. Gallon, MEDIA (1) Glenheim 8.4pc Pf., MISC (1) FII, OTHER INDLS (1) Kalsey Inds., PACKG, PAPER & PRINTG (1) Elswick, STORES (1) Hampden, TEXTS (2) Dawson, Lyles (S), MINES (1) Devex.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3067.7 +28.4	3439.3 +12.6	1518.12 +11.47

	Oct 4	Day's change %	Oct 1	Sep 30	Sep 29	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3067.7	+0.9	3039.3	3037.5	3030.1	2448.3	3.82	5.60	22.17	81.80	1118.69
FT-SE Mid 250	3439.3	+0.4	3428.7	3433.2	3434.4	2345.5	3.55	5.83	20.86	79.74	1238.80
FT-SE Mid 250 ex Inv Trusts	3448.8	+0.4	3436.6	3444.2	3448.6	2354.4	3.65	6.25	19.65	81.78	1238.95
FT-SE-A 350	1532.0	+0.8	1519.7	1519.7	1517.0	1181.8	3.76	5.85	21.88	39.65	1142.17
FT-SE SmallCap	1770.65	+0.1	1769.34	1768.13	1766.41	–	3.14	3.88	35.54	35.75	1335.31
FT-SE SmallCap ex Inv Trusts	1765.83	—	1765.03	1764.71	1764.58	–	3.32	4.28	33.24	37.49	1333.08
FT-A ALL-SHARE	1518.12	+0.8	1506.65	1506.55	1503.92	1161.71	3.72	6.54	22.41	38.75	1151.81

FINANCIAL TIMES EQUITY INDICES

	Oct 4	Oct 1	Sep 30	Sep 29	Sep 28	Year ago	*High	*Low
Ordinary share	2332.5	2312.6	2318.3	2323.6	2329.5	1779.3	2414.2	2124.7
Ord. div. yield	4.00	4.02	4.02	4.01	4.00	4.98	4.52	3.82
Earning yld % full	4.70	4.73	4.72	4.72	4.70	7.23	6.38	4.51
P/E ratio net	27.15	26.88	27.05	27.06	27.15	17.53	28.30	19.40
P/E ratio nil	25.05	24.80	24.96	24.97	25.06	16.26	26.14	18.14
Gold Mines	182.5	185.3	184.9	180.5	179.4	88.6	248.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2309.8	2317.1	2312.6	2315.6	2317.4	2320.8	2324.1	2331.4	2332.8	2333.1	2309.6

Volume	Oct 4	Oct 1	Sep 30	Sep 29	Sep 28	Year ago
SEAQ Bargains	29,295	32,711	30,352	28,827	30,142	22,892
Equity Turnover(£m)†	-	1371.3	1612.1	1307.3	1698.9	885.0
Equity Bargains†	-	36,625	34,403	32,216	33,407	25,466
Shares traded (mil)†	-	629.2	562.1	449.6	523.4	385.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

BRITISH FUNDS

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)					
Treas 13¼pc 1993‡‡	101⅛	—	108½	101⅛	13.81
8½pc 1994	100[illegible]	—	102[illegible]	100[illegible]	8.42
14½pc 1994‡‡	103[illegible]	—	108¼	103[illegible]	13.98
Exch 13½pc 1994	104[illegible]	—	109[illegible]	104[illegible]	12.93
Treas. 10pc Ln. 1994‡‡	102[illegible]	—	105[illegible]	102[illegible]	9.71
Exch 12½pc 1994	109[illegible]	—	110[illegible]	105[illegible]	11.80
Treas 9pc 1994‡‡	103[illegible]	—	105[illegible]	103[illegible]	8.69
12pc 1995	108	—	111[illegible]	108	11.11
Exch 3pc Gas 90-95	97¼xd	—	97¼	94	3.07
10¼pc 1995	107[illegible]	+⅛	109[illegible]	107[illegible]	9.52
Treas 12¾pc 1995‡‡	113[illegible]	—	116[illegible]	113[illegible]	11.22
14pc 1996	117¼	+[illegible]	120[illegible]	117[illegible]	11.95
15¼pc 1996‡‡	121[illegible]xd	+[illegible]	125[illegible]	121[illegible]	12.61
Exch 13¼pc 1996‡‡	117[illegible]	—	120[illegible]	116½	11.31
Conversion 10pc 1996	110[illegible]	+[illegible]	111½	108[illegible]	9.03
Treas 13¼pc 1997‡‡	120[illegible]	+[illegible]	122[illegible]	118[illegible]	11.01
Exch 10½pc 1997	112[illegible]	+[illegible]	113[illegible]	110[illegible]	9.32
Treas 8¾pc 1997‡‡	108[illegible]	+[illegible]	109	105[illegible]	8.08
Exch 15pc 1997	130xd	+[illegible]	132[illegible]	127[illegible]	11.64
9¾pc 1998	112[illegible]	+[illegible]	112[illegible]	109[illegible]	8.69
Treas 7¼pc 1998‡‡	103[illegible]xd	+[illegible]	103[illegible]	98[illegible]	7.00
7¼pc 1998 B‡‡	103½	+[illegible]	103¼	101[illegible]	7.00
Treas 6¾pc 1995-98‡‡	101xd	—	101¼	97[illegible]	6.88
14pc '98-1	129[illegible]	+[illegible]	129½	125[illegible]	10.81
Five to Fifteen Years					
Treas 15½pc '98‡‡	137[illegible]xd	+[illegible]	138[illegible]	133[illegible]	11.30
Exch 12pc 1998	122[illegible]	+[illegible]	123[illegible]	118[illegible]	9.80
Treas 9½pc 1999‡‡	112[illegible]	+[illegible]	113[illegible]	108[illegible]	8.42
Exch 12¼pc 1999	124[illegible]	+[illegible]	125[illegible]	120[illegible]	9.82
Treas 10½pc 1999	117[illegible]	+[illegible]	118[illegible]	112[illegible]	8.92
Conversion 10¼pc 1999	117[illegible]	+[illegible]	118[illegible]	112[illegible]	8.71
9pc 2000‡‡	112[illegible]	+[illegible]	112	106	8.01
Treas 13pc 2000	132[illegible]	+[illegible]	132[illegible]	125½	9.83
10pc 2001	117[illegible]	+¼	118[illegible]	109[illegible]	8.50
7pc '01(£57¼P/P)‡‡	61[illegible]	+[illegible]	61[illegible]	57[illegible]	6.60
9¾pc 2002	117[illegible]	+[illegible]	119[illegible]	108[illegible]	8.27
8pc 2003‡‡	107[illegible]	+[illegible]	108[illegible]	97[illegible]	7.42
8pc 2003 A‡‡	107¾	+¼	108[illegible]	102[illegible]	7.42

CROSSWORD

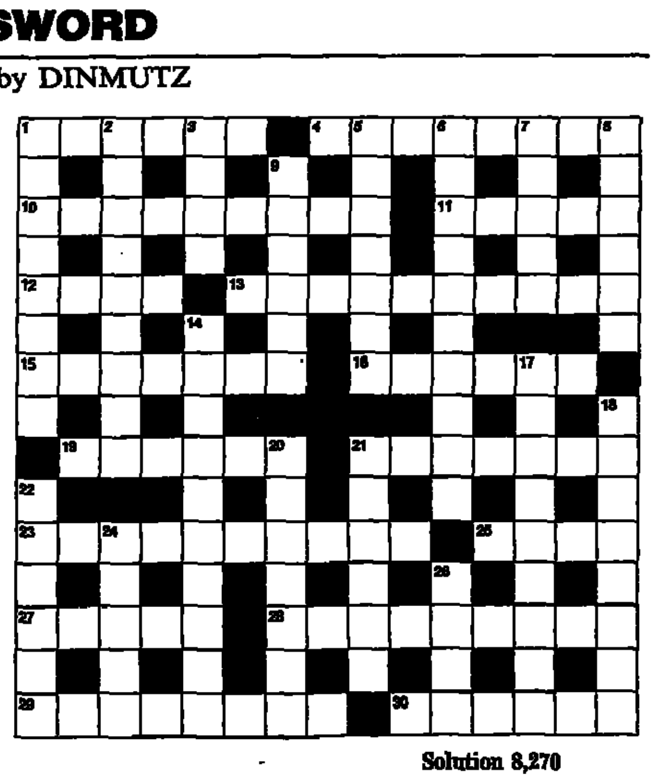
No.8,271 Set by DINMUTZ

ACROSS

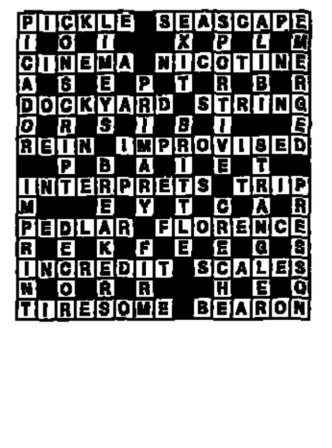
1 Fancy silver in change? (6)
4 Sovereign in unvarying swindling-trick (4-4)
10 Endowment after fifty-one can mean debt (9)
11 Honest epigram (5)
12 Carry weight, say? (4)
13 Counters of woolly jumpers? (10)
15 Perfectly good starters (7)
16 Chopped yule-log one left out brings high praise (6)
19 22 down, we hear, in the book (6)
21 Dual gin cocktail makes one lethargic (7)
23 Nutmeg, say, in the ceremonial procession (4-6)
25 A pitcher for the players (4)
27 Find shade in Burma, possibly (5)
28 Pathetic vital pine extract (9)
29 Pseuds' object in tests? (8)
30 Long sides of shelves (6)

DOWN

1 Looking after a fellow's clothes makes Virginia tingle excitedly .... (8)
2 .... means to change on the way (4-5)
3 Hard lines on sleepers (4)
5 Tonic for the heart? (7)
6 Vague area of Amazonian country (2-4-4)
7 Principal liquid oxygen carrier? (5)
8 Volunteer for silent reform (6)
9 If overturning ambitions, they are hell-hounds (6)
14 Record panel shows what men in achieve (10)
17 Complaining about such an appendix? (9)
18 Lids seen to be drooping in sloth (8)
20 Pair set to come out for long walk (7)
21 Latitude indicates general course (6)
22 Sum paid for a horse, would you say? (6)
24 Television wire? (5)
26 Close to church in times gone by (4)



Solution 8,270



JOTTER PAD

The solution to 18 down in last Saturday's puzzle is a nine-letter word, not (5,4) as printed

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets had one of their most successful sessions for many weeks, writes Terry Byland. The apparent restoration of President Yeltsin's authority brought a swift turnround in sentiment in UK equities and, with few institutions willing to sell either stock or futures, prices were squeezed sharply.

With international tensions seemingly easier, traders turned attention to prospects for UK base rate cuts. The December contract on the Footsie opened firmly and soon restored the 39 point premium over cash not seen since the beginning of last week. Since the contract can at present be arbitraged at any premium of around 31 points, there was room yesterday for substantial trading between futures and stocks.

Trading gathered pace at mid-session when the December contract broke through the 3,100 mark to reach 3,107 at the official close. With Fair Value premium now around 21, the contract was finally around 40 points premium to cash. However, turnover was less exciting at 11,724 contracts, a respectable figure but well below totals achieved on several days last week.

Traded options activity jumped to 26,043 contracts, with the FT-SE contract at 11,137 against 7,207 on Friday. The Euro FT-SE headed the individual contracts list with 3,327 deals, Also active were Rolls-Royce at 1,214, Thames Water (1,110) and Shell (1,099).

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¼xd	-⅛	20⅞	15⅝	15,273	2.5
Allegheny & W	♥	543¼p	-4½	722p	399p	311.6	3.7
Amdahl		405p	+3	591p	294p	454.8	0.8
Amer Cyanamid		35⅝	-⅛	38⅝	31¼	3,245	3.2
Amer Express		23½xd	-⅛	25⅞	14⅞	11,309	2.9
Amer T & T		39¼xd	-⅛	43¼	33⅝	52,808	2.2
Ameritech		56⅝	-⅛	58¼	46	24,847	4.4
Anheuser-Busch		30¼	-⅛	41¼	29⅛	8,371	3.2
BankAmerica		29⅞xd	+⅛	33⅛	27⅛	10,621	3.1
Bankers NY		53¼xd	-⅛	54⅛	42⅝	4,385	3.9
Bell Atlantic		41⅞	-⅞	42⅞	32¼	18,204	4.3
BellSouth		40⅝	-⅛	47	32⅞	19,946	4.6
Bethlehem Steel	♥	9¼xd	-⅛	13¾	8½	854.2	-
Bowater		1241pxd	-	1682p	1189p	449.7	3.2
CPC		28⅞xd	-⅛	34⅝	26	4,406	3.0
California Engy		1178p	-	1479p	1086p	214.5	-
Chase Manhattan		24⅞xd	-	24⅞	17⅞	3,882	3.2
Chrysler		32⅛xd	+⅛	32⅞	21¼	9,536	1.2
Citicorp		25½xd	-	25½	13⅛	9,321	-
Colgate-Palm		34⅞xd	-⅞	45⅝	32	5,578	2.7
Cont'l Bank		1796p	+6	1877p	1278p	1,814	2.2
Dana		38⅛xd	-⅛	38⅝	29⅞	1,785	2.8
Data General		687p	-1	951p	527p	188.6	-
Decora Inds	♥	110p	-	146p	104p	-	-
Dun & Brad		41½	+⅛	42¼	37⅛	7,398	4.0
Eaton		33¼	-¼	34	25⅞	2,348	2.4
Echlin		20½xd	+⅛	21⅞	15⅛	1,194	3.3
FPL		26⅛xd	+⅛	27⅝	23¼	4,803	6.2
Ford Motor		37½xd	+⅛	37⅞	28⅞	18,449	2.8
Gen Elect		63⅞xd	-⅛	67⅞	53⅝	53,984	2.7
General Host	♥	527½p	-1½	723p	456p	-	4.3
Gillette		38⅞xd	+⅛	42⅝	31⅛	8,527	1.4
Hasbro		20⅞	-	20⅞	30⅝	1,819	0.8
Honeywell		24⅛xd	+⅛	26½	20⅞	5,054	2.4
Houston Inds		30⅞	-	33¼	28¼	3,998	6.5
Ingersoll-Rand		24⅞xd	-⅛	25⅞	19⅞	2,618	1.9
Lockheed		42½	-	45⅛	35⅛	2,835	3.3
Lowe's		3072p	-15	3030p	1573p	2,187	0.7
Maley Technology		251p	+4	330p	127p	-	-
Merrill Lynch		64⅞xd	-⅛	68⅞	37	6,886	1.4
Morgan (JP)		52⅞xd	-⅛	62⅛	38¼	9,975	3.1
Morris (Philip)	♦	30⅛xd	-½	52⅝	29	28,783	5.7
NYNEX	h	30⅝xc	-⅛	32⅛	26⅛	6,325	5.1
Pall		12⅛	-⅛	15	10⅞	1,479	1.7
Pennzoil		43⅞xd	+1⅛	47⅛	31⅞	2,010	4.6
Quaker Oats		45⅛xd	+⅛	50⅞	39⅞	3,271	3.1
Questor		332p	-32	687p	49½p	31.4	-
Rockwell		23⅞xd	-⅛	24⅞	18⅛	5,250	2.8
Rep NY		35¼xd	+⅛	37⅞	29⅛	1,844	2.1
Sears, Roebuck		36⅛cd	+⅛	38¼	18⅞	8,436	2.8
Sthwestern Bell	h	28⅞	-	30½	23⅛	17,278	3.6
Sun Co		19⅛xd	+⅛	21⅛	14⅛	2,059	6.2
Tenneco		35⅞xd	+⅞	36¼	25½	6,065	3.0
Texaco		45¼xd	+⅛	45⅞	37⅞	11,837	4.7
Time Warner		27xd	-¼	28⅛	18⅝	10,537	0.6
Unitab	♥	398p	-	509p	358p	181.2	-
US West		32⅞	-⅛	33	24⅛	13,573	4.4
Varity		2334p	-72	2578p	1686p	705.8	-
WMX Technologies		19⅞xd	-½	27⅛	19⅛	9,749	2.0
Whirlpool		3947pxd	-2	4577p	2824p	2,759	2.1
Woolworth	♥	16½	-⅛	21½	16⅛	2,167	4.7

CANADIANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	-	2p	2p	-	-
Amer Barrick		1443p	-45	1889p	890½p	4,113	0.4
Bk Montreal	h	12½	-	14¼	11⅞	3,108	4.5
Bk Nova Scot		1366p	-13	1436p	1111p	2,870	4.1
BC Gas	♥	777p	-13½	857p	723p	-	3.9
BCE		22	-	26⅞	20⅝	6,738	6.7
Brascan	♥	635p	-	721p	454p	624.5	8.3
Breakwater	♥	5⅞p	+¼	16½p	5⅛p	3.74	-
Can Imp Bk		1514p	-42	1749p	1228p	3,148	4.4
Can Pacific		1037p	-7	1138p	810p	3,307	1.6
4pc Deb		48½	-	48½	38	22.7	8.5
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any company *annotated with* ♣ . *Ring 081 643* 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1303. [If calling from outside UK, *dial* +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state *the* weekly changing FT code above and also your post code.

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Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Scottish Amicable

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Royal Skandia Life Assurance Ltd (z)

Adams & Neville Fd Mnmgt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd

GT Asset Management (Ireland) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

D-Mark bucks Russian crisis

AS RUSSIA stood on the brink of revolution yesterday the hard currency which would be most threatened by political collapse in eastern Europe, the German D-Mark, rose steadily throughout the day, *writes Peter John*

The preference for travel rather than the final destination is one of the classic market clichés and the reverse is true in the case of bad news. With the D-Mark, international financial dealers had seen Russia approach the brink less than a month beforehand and become hardened against the possibility of chaos.

There was a general belief that President Yeltsin would win through this time as he had before, providing stability at best and "devil-you-know" credibility at worst. Support for the German currency was further helped by encouraging domestic economic data and the poor economic situation elsewhere in Europe.

Nevertheless, the D-Mark began the week with the inevitable knee-jerk selling that took it down by more than two pfennigs to DM1.6550 against the dollar when dealing began in the Far East. By the time European traders were at their desks, however, it had already recovered to DM1.6480.

Then, the latest West German industrial production statistics showed that production was not deteriorating. Also, the siege of the Russian Parliament building appeared to be going President Yeltsin's way. The currency regained all its earlier losses and moved ahead to DM1.6190 at best before closing at DM1.6240 up from DM1.6310 on Friday.

Economists said that while Germany would obviously suffer from problems in Russia the fundamental economic situation in the rest of Western Europe gave no impetus for switching funds.

Belgium is saddled with heavy debt and concerns of a currency split with Luxembourg. France is bedevilled with expectations of further rate cuts which may be good for the economy but are negative for the currency and have already been discounted in the market. Italy is gripped by political concerns and there growing militancy of the northern right-wing groups.

Finally, there was a technical element to the strength of the D-Mark. The last Russian crisis came at the end of the week; dealers who had already balanced their books were subsequently caught and the currency was squeezed.

Yesterday, traders were prepared to take a more adventurous stance and less inclined to sell.

Elsewhere, sterling avoided being shaken by either the D-Mark's earlier weakness or the dollar's strength and held its ground throughout the day. The pound closed at DM2.46, up from DM2.4550 previously and at $1.5150, up from $1.5055 previously.

The French franc was steady against the D-Mark with some dealers saying the Bank of France had been taking advantage of the D-Mark's weakness to rebuild its reserves.

£ IN NEW YORK

Oct 4	Latest	Previous Close
£ Spot	1.5150-1.5160	1.5045 1.5055
1 month	0.39-0.38pm	0.37 0.36pm
3 months	0.98-0.96pm	0.99 0.97pm
12 months	3.15-3.08pm	3.15 3.07pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 4	Previous
8.30 am	80.2	79.7
9.00 am	80.1	79.7
10.00 am	80.2	79.7
11.00 am	80.2	79.8
Noon	80.2	79.8
1.00 pm	80.2	79.8
2.00 pm	80.4	79.8
3.00 pm	80.4	79.9
4.00 pm	80.5	80.2

CURRENCY RATES

Oct 4	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.942593	0.775853
US Dollar	3.00	1.40836	1.17353
Canadian $	4.90	1.88579	1.56914
Austrian Sch	5.75	16.2517	13.4382
Belgian Franc	6.50	49.9581	41.3352
Danish Krone	8.25	9.33743	7.73128
D-Mark	6.25	2.31198	1.91008
Dutch Guilder	5.50	2.59575	2.14516
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Oct 4	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]	[illegible]	[illegible]
Korea(Sth)	1233.75 - 1233.90	813.00 - 813.10
Kuwait	0.45340 - 0.45450	0.29880 - 0.29950
Luxembourg	53.20 - 53.30	35.10 - 35.20
Malaysia	3.8650 - 3.8665	2.5470 - 2.5480
Mexico	4.7285 - 4.7315	3.1160 - 3.1180
N.Zealand	2.7555 - 2.7580	1.8155 - 1.8180
Saudi Ar	5.6820 - 5.6830	3.7495 - 3.7505
Singapore	2.3980 - 2.3995	1.5805 - 1.5815
S.Af (Cm)	5.2245 - 5.2270	3.4430 - 3.4445
S.Af (Fn)	6.3130 - 6.3280	4.1600 - 4.1700
Taiwan	40.70 - 40.85	26.90 - 27.00
U.A.E.	5.5730 - 5.5740	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14516	-2.35	6.46	17
D-Mark	1.94964	1.91008	-2.03	6.11	20
Spanish Peseta	154.250	153.886	-0.24	4.21	2
Irish Punt	0.808628	0.814907	0.78	3.16	-5
French Franc	6.53883	6.65917	1.84	2.08	-15
Portuguese Escudo	192.854	196.642	1.96	1.96	-13
Belgian Franc	40.2123	41.3352	2.79	1.14	-20
Danish Krone	7.43679	7.73128	3.96	0.00	-27

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.80-1.75pm. 12 Month 3.17-3.07pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Oct 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4 1/16-3 15/16 per cent; three years 4 7/16-4 5/16 per cent; four years 4 3/4-4 5/8 per cent; five years 5 1/16-4 15/16 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.515	2.460	160.3	8.583	2.148	2.763	2407	2.030	53.25	198.3	1.306
$	0.660	1	1.624	105.8	5.665	1.418	1.824	1589	1.340	35.15	130.9	0.862
DM	0.407	0.616	1	65.16	3.489	0.873	1.123	978.5	0.825	21.65	80.61	0.531
YEN	6.238	9.451	15.35	1000.	53.54	13.40	17.24	15016	12.66	332.2	1237	8.147
F Fr.	1.165	1.765	2.866	186.8	10.	2.503	3.219	2804	2.365	62.04	231.0	1.522
S Fr.	0.466	0.705	1.145	74.63	3.996	1	1.286	1121	0.945	24.79	92.32	0.608
N Fl.	0.362	0.548	0.890	58.02	3.106	0.777	1	871.2	0.735	19.27	71.77	0.473
Lira	0.415	0.629	1.022	66.60	3.565	0.892	1.148	1000.	0.843	22.12	82.38	0.543
C $	0.493	0.746	1.212	78.97	4.228	1.058	1.361	1186	1	26.23	97.68	0.643
B Fr.	1.878	2.846	4.620	301.0	16.12	4.034	5.188	4520	3.812	100.	372.4	2.453
Pta	0.504	0.764	1.241	80.84	4.328	1.083	1.393	1214	1.024	26.85	100.	0.659
Ecu	0.766	1.160	1.884	122.7	6.572	1.645	2.116	1843	1.554	40.77	151.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Shortage taken out

THREAT of revolution in Russia left Britain's domestic financial concerns in a very parochial light yesterday. Consequently short sterling was sidelined while the Bank of England's operations proceeded effortlessly *writes Peter John*.

The week started with a continuation of the recent tradition of heavy cash shortages, which have been the result of the government's unusually large funding programme. A shortfall of over £1bn has become the norm and yesterday's early forecast of £1.05bn came well below some bank estimates.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Contrary to the tight conditions of the past few days there was such a willingness to meet the shortage that overnight money rates, sometimes squeezed as high as 8 per cent in recent weeks, fell as low as 3 per cent. As one dealer said: "You can't get much lower than that without giving it away."

Increased liquidity in the market was underlined by the high level of bills for repurchase which were expected to drain £1.84bn from the system. Added to these were Treasury bills and paper maturing in official hands, which were expected to drain £1.21bn. Partly offsetting these, Exchequer transactions added £1.03bn, a fall in note circulation injected £900m and bankers' balances above target added £80m.

Most of the shortage was dealt with early in the day with the central bank providing the money market with £900m of early assistance via bills for resale to the market on October 25 at an established 5 29/32 per cent.

Later the bank provided an extra £100m. In the afternoon, the shortage was revised to £1.31bn and the central bank provided a further £315m.

Short sterling traded within a very narrow range, opening at 94.35 and ending the day only three basis points higher at 94.38 on turnover of just under 11,000 contracts. The December contract was already discounting a cut of almost half a percentage point off the base rate and dealers are expected to hold it at current levels until the November budget unless a change is announced sooner.

● German call money was steady at around 6.95 per cent as the market gradually steadied after a cash crunch late last week, which had been relieved by the injection of extra short-term funds by the Bundesbank.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 4)	3 months US dollars		6 months US Dollars	
	bid 3 1/4	offer 3 3/8	bid 3 1/4	offer 3 3/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.04	Three year	4.10
Broker loan rate	5	Two month	3.03	Five year	4.70
Fed.funds	3 1/8	Three month	2.97	Seven year	4.90
Fed.funds at intervention	-	Six month	3.10	10-year	5.32
		One year	3.32	30-year	5.89
		Two year	3.83		

Oct 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.95-7.05	6.70-6.85	6.65-6.75	6.50-6.65	6.30-6.45	7.25
Paris	[illegible]	7.07-7.27	-	7.03-7.23		6.75
Zurich	4 5/8-4 3/8	4 1/2-4 5/8	-	4 1/2-4 5/8	-	-
Amsterdam	6.50-6.62	6.45-6.56	-	6.30-6.38	-	-
Tokyo	[illegible]	-	-	-	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	6 7/8-7	6 7/8-7	6 5/8-6 3/4	-

LONDON MONEY RATES

Oct 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5150	1.5112	1.5053	1.4973	1.4838

OPTION ON LONG-TERM FRENCH BOND (MATIF)

	Calls			Puts		
Strike	November	December	March	November	December	March
121	-	2.80	-		0.10	-
122	-	1.98	-	0.07	0.21	-
123	0.97	1.21	-	0.20	0.45	-
124	0.37	0.68	-	-	0.89	-
125	0.10	0.33	-	1.34	1.57	-
Open Int.	8,065	198,889	54,215	2,82587	153,041	44,374

Estimated volume 37,065 † Total Open Interest 461,689
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Exeter Bank Limited	7	●Rea Brothers	6
●Henry Ansbacher	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	McDonnell Douglas Bk.	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6	Mount Banking	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

INDEX CONSTITUENTS

LISTS OF the constituent stocks of the FT-SE Actuaries Share Indices series and other FT Indices are available at no charge from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

Information regarding the FT-Actuaries World Indices, including details of constituents, is available from:

Mark Zurack or Barbara Mueller, Goldman, Sachs & Co. 85 Wall Street, New York, New York 10004, U.S.A. (212-902-6777).

Symon Bradford, NatWest Securities Ltd., Kintore House, 74-77 Queen Street, Edinburgh EH2 4NS (031-225-8525)

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Prices supplied by Telekurs

CANADA

TORONTO

4 pm close October 4

[illegible]

MONTREAL

4 pm close October 4

[illegible]

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

WORLD

M.S. Capital Intl.(1/1/70) $	595.3*	592.5	591.4	592.0
Euro Top-100 (26/6/90)	1112.46	1106.79†	1104.32	1093.90

**Saturday October 2: Taiwan Weighted Price: 3809.86, Korea Comp Ex: 719.55. ♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40 ... 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining ...

TOKYO - Most Active Stocks

Monday, October 4, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.8m	324	+8	Nitto Boseki	1.8m	399	-18
Sharp Corp	3.7m	1,550	+70	Chugai Pharm	1.8m	1,540	+20
NKK Corp	2.8m	268	-3	Kawasaki Steel	1.7m	317	-1
Mitsubishi Hvy	2.0m	645	-8	Nomura Sec	1.7m	1,980	+20
Isuzu Motors	2.0m	407	+7	Fujitsu	1.7m	818	-2

4 pm close October 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.8	637	126	12⅞	12¾	12⅞	
28⅞	13¾	A L Labs A	0.16	1.0	35	119	17⅞	17	17⅞	+½
67¼	54⅝	AMP Inc	1.60	2.4	23	848	66¾	65⅞	66¼	+⅛
72¾	55½	AMR			17	1724	66½	65⅝	66⅛	+½
3¾	1¾	ARX			13	185	u3¾	3⅝	3⅝	-⅛
51½	29⅞	ASA	2.00	4.7	28	287	42⅝	41⅝	42½	+⅜
30¾	22⅝	Abbott Lab	0.68	2.5	17	8354	27⅜	26⅞	27	-½
12⅝	8¼	Abitibi Pr	0.50	6.1	3	3	8⅜	d8¼	8¼	-⅛
15¼	8¼	Acptncetn			45	20	14⅝	14⅜	14⅝	+⅜
38	25½	ACE Ltd	0.92	2.7		509	33¾	33¼	33¾	+⅝
12	10¼	ACM Gvt In	0.96	8.4		780	11⅜	11¼	11⅜	
10	9⅛	ACM GvOpp x	0.80	8.1		31	9⅞	9¾	9⅞	+.80
9⅞	8¾	ACM Gvt Sp x	0.80	8.3		260	9¾	9⅝	9⅝	+.67
11⅝	10½	ACM Gvt Se x	0.96	8.4		948	11⅜	11¼	11⅜	[illegible]
11⅝	8⅝	ACM Man v	1.08	9.4		284	11½	11⅜	11½	+1.09
9⅜	8⅝	ACM Managd x	0.72	7.9		77	9¼	9⅛	9⅛	[illegible]
12⅛	7¾	Acme Cleve	0.44	4.8	12	53	9¼	9⅛	9¼	-⅛
9¼	6⅜	Acme Elect			47	27	6¾	6⅝	6⅝	-⅛
27⅝	18⅜	Acordia	0.44	1.8	14	438	25⅜	25⅛	25⅛	-⅛
16	10⅜	Acuson			33	551	12⅛	11¾	12⅛	+¼
21¾	16¼	Adams Expr	0.48	2.6	0	432	18⅞	18⅝	18¾	
66¼	45½	Ad Micro	3.00	5.3		1062	57½	56½	57	+¾
32¾	17⅝	Ad Micro P	3.00	11.3	102	1702	26½	26	26½	+¾
7¾	5½	Advest Grp	0.16	2.2	12	40	7⅛	7	7⅛	+⅛
24¾	15½	Advo Inc	0.08	0.5	17	159	16⅛	16	16	+¼
50⅛	41⅛	Aegon ADR	1.23	2.5	10	74	49⅝	49½	49½	+½
60¾	43⅞	Aetna LI	2.76	4.6	41	1923	60¼	59⅞	59⅞	+¼
34	28⅞	Aflac	0.40	1.3	15	503	31⅞	31	31⅜	-½
22⅛	16¾	Ahmanson	0.88	4.4	8	596	20	19⅞	20	
7¾	3⅝	Aileen Inc			5	31	3⅞	3¾	3⅞	
48½	24⅞	Air Pr Chem	0.92	2.4	15	2851	38⅞	38⅜	38⅝	-⅜
26½	18⅛	Airborne Frt	0.30	1.2	32	597	24⅜	24¼	24⅜	
39½	18¼	Airgas Inc			43	283	39⅛	37⅞	39	+1⅛
15⅜	10½	Airlease x	1.72	11.7	11	35	14⅞	14¾	14¾	
106½	101	AlaPwr8.16	8.16	7.7		z100	106	106	106	+1
107	102½	Alab 8.28C	7.28	7.1		z20	102⅞	102⅞	102⅞	
[illegible]										

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close October 4

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Prices data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close October 4

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 4

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

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AMERICA

Nervous Dow falls back on domestic news

Wall Street

US share prices were mixed in exceptionally light trading yesterday as investors attempted to digest the implications for financial markets of the political crisis in Russia, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 6.71 at 3,574.40. The more broadly based Standard & Poor's 500 was 0.74 lower at 460.55, while the Amex composite was down 0.02 at 461.57, and the Nasdaq composite was up 1.49 at 764.43. Trading volume on the NYSE was 125m shares by 1pm.

Traders and investors arrived at work yesterday morning in a nervous mood, unsure of how the world's financial markets would react to the political turmoil in Russia, where President Boris Yeltsin's battle with anti-reform hardliners appeared to be reaching a violent and dramatic conclusion.

Traditionally, this kind of political crisis unsettles equity market investors, but boost US bond prices, which are seen as a safe haven in times of trouble. As expected, bonds firmed at the opening yesterday morning, but demand was not that strong, and by early afternoon Treasury prices were little changed.

Equity investors, meanwhile, were reassured by the confidence of overseas markets, which were mostly firmer overnight. The modest reaction from the US bond market also appeared to underline the view of most financial analysts – that the turmoil in Russia would not have any serious economic or political impact outside that country's borders.

Once it was clear by mid-morning in the US that army forces loyal to Mr Yeltsin had regained control of the Parliament building in Moscow, and that the rebels had surrendered, investors were able to devote some attention to domestic matters. As it was, the day's main economic news – a 1.1 per cent decline in August construction orders – was bearish for stocks, and contributed to some of the early declines.

Among individual issues, HCA-Hospital jumped $6 to $28⅞ in volume of 4m shares after the company agreed to be taken over by Columbia Healthcare in a stock swap which values the deal at $5.7bn. Columbia fell $1⅝ to $28⅝ in volume of 2.7m shares on the news.

In other merger-related movements, KeyCorp rose $⅝ to $39¼ and Society Corp climbed $⅞ to $33⅞ after the two regional banking groups agreed to join forces in a $3.9bn stock swap.

The technology sector was in strong demand. Compaq rose $1⅛ to $58⅞, Motorola firmed $1 to $100⅞, Hewlett-Packard rose $⅞ to $69⅞, IBM added $⅝ at $44½, and Digital Equipment rose $⅝ to $36⅞.

Selected technology issues were also firmer on the Nasdaq market, with Microsoft up $1¼ to $83¼ and Sun Microsystems up $⅝ at $22⅞.

Canada

TORONTO was little changed by midday in spite of a recovery in precious metals from their earlier weakness on the Russian political crisis.

By noon, the TSE 300 index was 1.50 lower at 3,986.72 in turnover of C$196.8m.

SOUTH AFRICA

BULLION prices offered little support by the time Johannesburg closed. The influx of foreign buying which dealers were hoping for did not appear, and the gold index ended 8 lower at 1,497. With industrials 40 lower at 4,437, the overall index shed 22 at 3,741.

EUROPE

Bourses improve as Moscow hardliners give up

BOURSES seemed relatively unperturbed by the overnight strife in Moscow but, nevertheless, they showed signs of improvement in the afternoon as Russian hardliners began surrendering and leaving the White House, *writes Our Markets Staff.*

At Goldman Sachs, Mr Sushil Wadhwani and Mr Mushtaq Shah said that it made sense partially to inoculate portfolios against "Russian risk", recommending a 3.5 per cent weighting in commodities, and retaining one of 9 per cent in cash.

FRANKFURT, clearly, wanted to go up all day. Over the offical session, the DAX index rose 11.63 to 1,923.72 as German stock market turnover improved from DM4.4bn to DM5.25bn, and in the afternoon the Ibis-indicated DAX climbed another 11.51 to 1,935.23.

Commentators put the morning gains down, not to any wave of investment buying, but to traders covering short positions as share price held firm; there was more business later but traders, rather than investors, still held sway.

Interest in Daimler remained high, the shares climbing DM9 to DM746 ahead of today's listing in New York. Lufthansa rose another DM3.50 to DM163.50.

It confirmed the United Airlines pact, and forecast that its restructuring programme would to enable it to halve its losses in 1993, and make a return to profits possible in 1994.

Metallgesellschaft jumped DM10 to DM364. It said yesterday that it was selling a stake of around four percent in Metall Mining Corp to Minorco, and that the deal would help promote the joint development of mining projects.

MILAN's Comit index dipped 3.79 to 590.52 in volume depressed by a two hour halt to screen-based trading during the morning as a result of technical problems.

Fiat surprised some analysts with a further L290, or 5 per cent gain to L6,080 in the wake of last week's record capital call and amid continued speculation about possible alliances.

Rinascente, the retailer, and Ifil, the Agnelli family holding company, were relisted after further details emerged about Fiat's complex plan to sell its 58 per cent share in Rinascente to its own shareholders and a public buy offer by Ifil.

Rinascente added L270 or 2.8 per cent to L9,886 after a day's high of L10,278, amid speculation that a higher tender bid for Rinascente might be launched.

Ifil shed L484 or 7.8 per cent to L5,758, ahead of a post-bourse presentation to analysts: it was suspended temporarily, shortly after the opening, as the price slumped by more than 12 per cent.

PARIS saw the BNP privatisation price set at FFr240 per share, regarded as cheap and no threat to overall sentiment, as afternoon short covering took the CAC 40 index to a close 11.94 higher at 2,128.66.

Rhone-Poulenc was easier, however, falling FFr6.50 to FFr153. Some analysts reckoned that if the BNP price was on the low side, Rhone could be floated at a discount to the market. Peugeot rose FFr8 to FFr665 after underperforming the market in recent weeks, and in spite of a 18 per cent fall in September car sales.

Turnover was estimated at about FFr3bn, the same as last Friday's level.

ZURICH trading was restrained as the SMI index rose 8.7 to 2,490.3. Swiss Re registered rose SFr45 to SFr3,340 on last Friday's results, and Winterthur registered advanced SFr13 to SFr664.

Swissair added SFr15 to SFr690 amid unconfirmed reports that the airline was considering paying a special dividend to lower the company's valuation ahead of the Alcazar alliance. However, analysts noted that such a move was only one of the options available to the group.

SMH, watchmaker, shed SFr7 to SFr205 amid heavy US selling on worries about the profits outlook. James Capel in London, downgrading the stock to "hold", said it was revising down expectations for sales growth to 8 per cent and its 1993 net profit forecast was being trimmed from SFr485m to SFr460m.

Ascom, the telecommunications group, surged 6.4 per cent at one stage after domestic newspapers reported that the Swiss army was considering purchasing a SFr800m telecommunications system by 1995m. But the shares settled back to finish SFr20 higher at SFr1,120 as the company said that while it had a good chance of winning the contract, it was at present only heading a research project for the army.

AMSTERDAM overcame an unsteady start to finish firmer with the CBS Tendency index adding 0.5 to 125.7. Royal Dutch rose 40 cents to Fl 188.60 after the European Commission said it had cleared the sale of Shell's crop protection business to American Cyanamid.

STOCKHOLM recovered on government proposals to halve capital gains tax on share sales, and cut taxes on dividends and corporate profits. The Affärsvarlden General index closed just 0.2 down at 1,299.0, although Trelleborg B, volatile on the prospect of a Russian effect on metal prices, rose by SKr5, or 13 per cent to SKr42.50.

OSLO took to the Russian news and the all share index rose 8.23 to 555.87; HELSINKI went along, the Hex index closing 14.01 higher at 1,421.91.

TEL AVIV, in addition to hopes of a Russian solution, talked of a technical correction after three days of profit taking as the Mishtanim index gained 4.22, or 1.9 per cent to 229.16.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

October 4

Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1294.13	1294.91	1294.33	1295.46	1296.25	1297.25	1298.93	1299.14
FT-SE Eurotrack 200	1369.83	1370.66	1370.94	1371.58	1372.35	1375.56	1377.09	1377.73

	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27
FT-SE Eurotrack 100	1293.99	1293.02	1288.31	1288.96	1290.59
FT-SE Eurotrack 200	1368.19	1362.51	1356.79	1364.11	1361.41

Base value 1000 (26/10/90) High/day: 100 - 1299.72; 200 - 1378.23 Low/day: 100 - 1293.71 200 - 1368.44.

ASIA PACIFIC

Nikkei lower as Hong Kong closes at record high

Tokyo

THE turmoil in Russia undermined enthusiasm for stocks, and the Nikkei index closed marginally lower as investors remained on the sidelines, *writes Emiko Terazono in Tokyo.*

The Nikkei fell 18.70 to 20,264.43 with most investors reluctant to take large positions until the response of other markets to the Russian crisis became clear.

The index fell to the day's low of 20,151.32 in the morning session, in tandem with the futures market which lost ground on news of the military confrontation in Moscow. However, late arbitrage linked buying supported share prices and the Nikkei rose to the day's high of 20,283.93 on late bargain hunting.

Volume fell to 180m shares from 362m. Declines led advances by 591 to 372, with 214 unchanged. The Topix index of all first section stocks edged down 0.06 to 1,634.03 while, in London, the ISE/Nikkei 50 index fell 0.78 to 1,263.23.

Index-linked buying by institutional investors supported share prices. One trader said that the Nikkei would have advanced further in a continuation of Friday's strong performance, were it not for the Russian situation.

Investors' interest centred on semiconductor-related issues following reports that electronics manufacturers were boosting output of 16-megabit chips. Nikon rose Y25 to Y915 and Tokyo Electron gained Y110 to Y3,030.

Sharp jumped Y70 to Y1,550 on firm shipments of its camcorder. Other consumer electronics makers were also strong, with Sony up Y50 to Y4,610 and Matsushita Electronic Industrial gaining Y20 to Y1,450.

Investigations by the Fair Trading Commission of menswear discount retailers triggered heavy selling of Aoki International and Aoyama Trading. Aoki fell Y100 to Y5,500, and Aoyama failed to trade due to the lack of buyers.

Pharmaceuticals were lower on profit-taking following the recent bout of buying ahead of annual medical conventions. Sankyo fell Y10 to Y3,000 and Yamanouchi Pharmaceutical lost Y40 to Y2,410.

In Osaka, the OSE average fell 35.92 to 22,251.94 in volume of 18.1m shares.

Roundup

PACIFIC Rim markets found a diverse series of influences on trading.

HONG KONG shrugged off the latest inconclusive round of Sino-British talks on the colony's future as foreign demand, beginning with US institutions and spilling over to UK and Chinese funds, took shares to a record high close.

The Hang Seng index added 68.10 or 0.9 per cent to 7,744.32, after an intraday high of 7,763.87, in relatively thin turnover of HK$3.72m.

AUSTRALIA saw the political turmoil in Russia fuel a sharp rise in gold stocks and push the overall market to a higher close, but with a holiday in New South Wales, trade was otherwise dull. The All Ordinaries index added 4.2 to 1,977.0 in turnover of A$165.31m.

The gold marker surged 42.5 to 2,006.6 with North Flinders rising 20 cents to A$12.50, Newcrest up 17 cents to A$4.02, Plutonic up 10 cents to A$7.00, and Homestake up 7 cents to A$1.85.

MANILA turned sharply lower as banks with big common trust fund (CTF) holdings sold shares to meet a new 10 per cent reserve requirement, which took effect yesterday.

The composite index shed 55.01 or 2.8 per cent to 1,904.54.

The peso's fall last week prompted the central bank to impose capital requirements on CTFs, which pool small deposits for investment in high-yielding securities like T-bills and stocks.

NEW ZEALAND, devoid of any strong overall influence, meandered through thin trade to a slightly higher close. The NZSE 40 capital index rose 6.35 to 1,946.36 in turnover of NZ$18.7m.

TAIWAN closed narrowly mixed after late bargain-hunting emerged to offset early losses triggered by Russia's political crisis. The composite index ended 1.62 lower at 3,808.24, after an intra-day low of 3,785, in very slow turnover of T$9.72bn.

SEOUL fell prey to a wave of profit-taking in reaction to last week's pre-Chusok holiday rally, although some late bargain-hunting helped prices up from their lowest levels.

The composite stock index shed 4.50 to 715.05.

SINGAPORE, easier for much of the day, picked up towards the close as hopes rose for political stability in Russia. The Straits Times Industrial index finished 4.97 higher to 2,023.07 after trading in negative territory for much of the day.

KARACHI closed sharply higher on rumours that the former reformist prime minister, Mr Nawaz Sharif may win in tomorrow's general elections. The KSE index rose 14.68 to 1,357.05.

Belgium visits the top of the table

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+1.80	-5.00	+20.31	+22.11	+21.17	+20.49
Belgium	+3.38	-2.08	+20.54	+17.98	+11.76	+11.12
Denmark	+1.30	-1.65	+31.40	+29.85	+24.15	+23.46
Finland	+3.28	+3.46	+141.70	+76.51	+58.97	+58.08
France	+0.96	-1.18	+25.00	+17.60	+14.89	+14.24
Germany	+1.20	-0.67	+27.70	+23.16	+22.99	+22.29
Ireland	+2.25	-2.64	+49.29	+40.35	+24.66	+23.98
Italy	+1.21	-5.89	+62.63	+43.67	+33.80	+33.06
Netherlands	+2.02	+0.57	+25.84	+23.54	+23.39	+22.69
Norway	+0.57	-3.62	+40.32	+27.18	+24.00	+23.30
Spain	+2.32	-2.24	+58.49	+34.79	+17.91	+17.25
Sweden	+1.54	+2.09	+75.27	+31.31	+15.45	+14.80
Switzerland	+1.14	+1.18	+31.94	+20.57	+24.74	+24.03
UK	+0.98	-0.70	+21.49	+8.63	+8.63	+8.02
EUROPE	+1.26	-0.82	+29.36	+17.77	+15.90	+15.26
Australia	+1.13	+1.03	+29.01	+22.30	+15.79	+15.13
Hong Kong	+1.93	+2.70	+33.54	+37.57	+38.45	+37.67
Japan	+0.05	-3.87	+24.53	+23.69	+46.52	+45.69
Malaysia	+3.90	+3.38	+72.70	+56.49	+61.54	+60.64
New Zealand	+0.12	-2.84	+45.76	+29.90	+40.02	+39.24
Singapore	+3.01	+1.51	+57.32	+34.98	+40.75	+39.97
Canada	+0.24	-3.70	+12.12	+10.49	+5.63	+5.03
USA	+0.76	+0.00	+11.08	+5.88	+6.48	+5.88
Mexico	+0.15	-4.98	+33.89	+1.35	+1.99	+1.41
South Africa	+1.38	-4.24	+19.52	+19.05	+38.89	+38.10
WORLD INDEX	+0.72	-1.45	+20.38	+14.69	+20.27	+19.60

† Based on October 1st 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited.

By William Cochrane

Two of last week's global equity leaders, Finland and Malaysia, lead the World Index performance tables this year but the third – Belgium – is a more occasional visitor.

The Brussels equity market started this year well, notes Mr Thierry Quincerot at Williams de Broë in London but, in April and May, it was punished for its earlier speculation: fears were provoked by a domestic political crisis which came to a head in March.

Last week, however, and in spite of denials from the top, stories circulated that the government was about to let the Belgian franc float; there were good results from Electrabel and Tractebel, two of the country's heavily weighted utility groups; and even an initially bearish reaction to losses from the Luxembourg-based steelmaker, Arbed, was more than recovered by Friday.

In the east, the Kuala Lumpur stock exchange's composite index hit yet another high last Friday, supported by expectations of an expansionary budget at the end of this month. Mr David Bates, of Asia Equity, says that last week's cut in the Malaysia's monthly inflation rate has domestic investors believing that the corporation tax rate could be cut from 34 to 32 per cent.

Mr Bates adds that November's ruling party elections are expected to indicate continuity in present government policies, and that the market has a lot of liquidity with which to chase prices up. However, he reckons, it has to be the dearest in the region on a 1994 p/e ratio of 21, and on estimated 10 per cent earnings per share growth – the slowest in Asia at the moment.

Finland tops the world rankings in local currency terms although, measured by the dollar, it is outpaced by Malaysia which has a harder currency, and which accelerated in the third quarter. Goldman Sachs still likes the Helsinki market for its prospects of profit recovery, lower interest rates, and on technical grounds.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 1 1993								THURSDAY SEPTEMBER 30 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	144.05	+1.0	141.86	96.52	122.15	147.98	+0.5	3.49	142.60	141.37	95.64	121.32	147.22	148.84	117.39	124.82
Austria (17)	168.88	-0.4	166.31	113.16	143.20	143.35	+0.0	1.08	169.48	168.02	113.67	144.20	143.42	180.43	131.16	162.53
Belgium (42)	148.05	+1.1	145.80	99.19	125.54	128.88	+1.1	4.47	146.42	145.16	98.19	124.57	127.46	156.76	131.19	147.66
Canada (107)	121.46	-0.2	119.61	81.38	102.99	117.64	+0.0	2.88	121.72	120.66	81.63	103.55	117.62	130.38	111.41	114.12
Denmark (32)	229.78	-0.2	226.28	153.97	194.84	206.26	+0.0	1.10	230.21	228.22	154.40	195.87	206.26	233.14	185.11	212.74
Finland (23)	110.04	-0.6	108.37	73.74	93.31	134.87	-0.1	0.77	110.73	109.78	74.27	94.21	135.05	118.56	65.50	59.29
France (97)	168.14	+0.3	165.58	112.65	142.58	150.00	+0.2	3.07	167.68	166.23	112.45	142.65	149.73	171.69	142.72	157.19
Germany (60)	127.23	+0.2	125.30	85.26	107.89	107.89	-0.2	1.95	127.04	125.94	85.21	108.08	108.08	129.13	101.59	115.03
Hong Kong (55)	305.03	+0.0	300.39	204.38	258.66	302.94	+0.0	3.36	305.07	302.44	204.60	259.57	302.94	305.07	218.82	230.82
Ireland (14)	168.31	+0.3	165.75	112.78	142.72	165.44	+0.4	3.39	167.75	166.30	112.51	142.72	164.77	173.06	129.28	145.50
Italy (70)	73.01	-0.8	71.89	48.91	61.90	86.75	-0.6	1.87	73.57	72.93	49.34	62.59	87.28	78.93	53.78	51.36
Japan (469)	153.02	+0.4	150.70	102.53	129.77	102.53	+0.4	0.81	152.35	151.03	102.17	129.63	102.17	165.91	100.75	108.96
Malaysia (69)	420.00	+0.7	413.61	281.41	356.13	412.16	+0.8	1.68	417.17	413.57	279.77	354.92	408.90	420.00	251.66	247.15
Mexico (19)	1671.20	+0.6	1645.77	1119.78	1417.10	5897.22	-0.9	0.87	1661.23	1646.89	1114.15	1413.40	5747.68	1771.56	1410.30	1271.69
Netherland (24)	185.76	+0.7	182.94	124.47	157.52	155.28	+0.5	3.52	184.50	182.91	123.74	156.98	154.53	187.18	150.39	169.70
New Zealand (13)	59.72	+0.4	58.81	40.02	50.64	57.56	+0.3	3.87	59.50	58.99	39.91	50.63	57.39	62.98	40.56	41.09
Norway (23)	169.80	+0.1	167.21	113.77	143.98	164.44	+0.2	1.55	169.55	168.09	113.72	144.26	164.15	177.44	137.71	148.66
Singapore (38)	298.64	+0.2	294.09	200.10	253.23	217.72	+0.2	1.58	298.13	295.56	199.95	253.65	217.35	298.64	207.04	188.21
South Africa (60)	204.53	-1.6	201.42	137.04	173.43	187.09	+0.0	2.80	207.91	206.11	139.44	176.89	187.00	215.29	144.72	162.74
Spain (42)	136.72	-0.1	134.64	91.61	115.93	136.41	+0.1	4.18	136.87	135.69	91.80	116.45	136.25	140.97	115.23	113.59
Sweden (36)	190.06	+0.1	187.17	127.35	161.17	227.62	+0.1	1.48	189.96	188.32	127.41	161.63	227.43	196.23	149.70	160.00
Switzerland (50)	140.17	+0.4	138.04	93.92	118.87	123.79	+0.1	1.75	139.55	138.34	93.60	118.74	123.72	141.83	108.91	120.53
United Kingdom (218)	186.18	+0.7	183.34	124.73	157.85	183.34	+0.0	3.90	184.90	183.31	124.00	157.30	183.30	191.70	162.00	174.24
USA (519)	188.57	+0.5	185.70	126.36	159.91	188.57	+0.5	2.72	187.70	186.06	125.89	159.71	187.70	189.40	175.38	167.48
Europe (748)	156.76	+0.4	154.37	105.03	132.93	147.04	+0.1	3.06	156.14	154.79	104.72	132.85	146.96	159.39	133.92	141.77
Nordic (114)	179.54	-0.1	176.80	120.30	152.24	166.44	+0.0	1.31	179.68	178.13	120.51	152.87	166.36	183.23	142.13	151.73
Pacific Basin (713)	158.07	+0.4	155.66	105.92	134.04	110.40	+0.3	1.08	157.37	156.01	105.55	133.89	110.01	168.80	105.89	113.20
Euro-Pacific (1461)	157.42	+0.4	155.03	105.47	133.48	125.25	+0.2	1.89	156.76	155.40	105.12	133.36	124.97	162.86	117.26	124.76
North America (626)	184.41	+0.4	181.61	123.58	156.40	183.77	+0.4	2.73	183.61	182.02	123.16	156.24	182.95	185.59	171.51	164.16
Europe Ex. UK (530)	137.88	+0.2	135.78	92.40	116.94	125.90	+0.1	2.52	137.60	136.41	92.30	117.10	125.81	139.50	112.51	121.90
Pacific Ex. Japan (244)	207.65	+0.4	204.49	139.16	176.10	193.93	+0.3	2.97	206.72	204.94	138.67	175.90	193.31	207.65	152.70	154.79
World Ex. US (1647)	157.64	+0.4	155.24	105.63	133.67	127.12	+0.2	1.92	157.04	155.68	105.33	133.62	126.86	162.89	118.51	125.46
World Ex. UK (1948)	165.09	+0.4	162.58	110.63	140.00	142.44	+0.3	2.04	164.46	163.04	110.31	139.94	141.97	168.50	134.22	135.31
World Ex. So. Af. (2106)	166.81	+0.4	164.27	111.78	141.46	145.75	+0.3	2.22	166.09	164.66	111.41	141.33	145.30	170.43	137.29	138.61
World Ex. Japan (1697)	176.28	+0.4	173.60	118.13	149.50	170.98	+0.3	2.84	175.58	174.07	117.77	149.41	170.50	177.11	157.47	155.72
The World Index (2166)	166.96	+0.4	164.42	111.87	141.58	146.14	+0.3	2.22	166.27	164.84	111.52	141.48	145.69	170.42	137.32	138.68

Latest prices were unavailable for this edition. Hong Kong closed October 1.